



## PROJECTS ON THE GO

Activities of OTTER

prepared for the

OTTER Customer Consultative Committee

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Office of the Tasmanian Economic Regulator

Level 3, 21 Murray Street, Hobart TAS 7000

GPO Box 770, Hobart TAS 7001

Phone: (03) 6166 4422

OTTER CUSTOMER CONSULTATIVE COMMITTEE

MEETING 2/2019

THURSDAY 20 JUNE 2019

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## **1. WATER AND SEWERAGE**

### **a. TasWater quarterly capital expenditure update (Q3 2018-19)**

TasWater's capital expenditure over the third regulatory period (1 July 2018 - 30 June 2021) is forecast to be around \$467 million.

TasWater's capex budget for 2018-19, based on its 2019-2023 Corporate Plan, is \$145 million (compared with the \$143 million forecast for 2018-19 as part of TasWater's Price and Service Plan for the third regulatory period). TasWater's third quarter capital expenditure report indicates that almost \$100 million has been spent to date in 2018-19. However, the report states that no significant milestones were achieved during the third quarter and that there is a risk that TasWater may slightly underspend in 2018-19 due to unforeseen delays in several major projects.

As per the second quarter report, TasWater has listed 38 projects and 18 programs over the regulatory period. No projects were added or deferred during the third quarter.

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

The 2017-18 SOIR was released on 17 April 2019. The Regulator also issued a media release and fact sheet outlining the key issues covered in the Report. The focus of this year's report was on TasWater's capital investment program and operating costs, particularly where ageing and degraded infrastructure is impacting performance.

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

TasWater's revenue was higher than expected in 2017-18, boosted by a combination of increased water consumption, economic growth and tourism. TasWater's overall financial position has similarly improved, with its net profit after tax and profit ratio both increasing. The Report provides a summary of TasWater's financial position, with a focus on the delivery of its accelerated capital investment program.

One area of concern highlighted in this year's report was the occurrence of temporary boil water alerts in urban areas. While issues with drinking water quality in the State's regional towns have been resolved, TasWater must continue to monitor and improve its operations to avoid the occurrence of short term issues.

Environmental compliance of TasWater's sewage treatment plants has continued to improve in 2017-18, though the performance of some plants are still below expectations and may present a high environmental risk.

The full Report and fact sheet can be downloaded from the Regulator's website: <https://www.economicregulator.tas.gov.au/water/reports/performance-monitoring/state-of-the-industry-reports>

### **c. Next pricing investigation**

The Regulator is currently considering the issues raised in submissions received in response to the proposed price and service plan guideline for the next price investigation. The Regulator will publish the final guideline in June 2019.

Under the guideline TasWater will be required to submit its proposed price and service plan by 30 June 2020. The Regulator's investigation will commence on 1 July 2020 with the next regulatory period commencing on 1 July 2021. Prior to 30 June 2019 the Regulator is also required to declare the duration of the fourth regulatory period.

## 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.

No further competitive neutrality complaints have been received by the Regulator since September 2018.

## 3. ENERGY

### a. Government electricity pricing reforms

#### *Retail price regulation*

The *Electricity Supply Industry Amendment (Price Cap) Bill 2018* was passed in November 2018. The Bill:

- extended 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);
- provided 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;
- extended 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
- extended 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).

On 10 May 2019, the Treasurer signed a Ministerial Notice requiring the Regulator to approve draft standing offer prices with a maximum increase of 2.0 per cent in 2019-20. Consistent with the Government's desired price outcomes, the Treasurer also made a WEP Order for the 2019-20 WEP to be \$87.56/MWh.

On 30 May 2019, Aurora Energy submitted its 2019-20 pricing proposal for the Regulator's review and approval. The proposal sets out Aurora Energy's draft prices to apply from 1 July 2019. The Regulator is expected to approve Aurora Energy's draft prices in late June 2019.

#### *Feed-in Tariffs*

On 30 May 2019, the Regulator released its Final Report and Determination after completing its feed-in tariff rate determination investigation with respect to the period from 1 July 2019 to 30 June 2021.

The feed-in tariff rate applies to all feed-in tariff customers on mainland Tasmania with an eligible small-scale electricity generating unit, such as solar photovoltaic (PV) panels. Authorised retailers have to offer customers at least the minimum feed-in tariff rate for the electricity their customers export to the grid.

The Regulator's determination is based on the avoided cost approach and reflects the wholesale market arrangements in place in Tasmania, including a regulated price for wholesale electricity. The method ensures that customers with solar PV systems receive a return for the electricity they export to the grid which reflects the market value of that electricity to retailers.

Based on the investigation, the Regulator decided to account for the following factors in determining the FiT rate:

- the wholesale electricity price;
- avoided National Electricity Market (NEM) fees and ancillary services fees; and
- avoided transmission and distribution network energy losses.

The feed-in tariff rate for the 2019-20 financial year has been provisionally estimated to be 9.347 cents per kilowatt hour (c/kWh). This is around nine per cent higher than the rate for 2018-19 of 8.541 c/kWh, primarily due to an increase in the wholesale electricity price.

The Regulator is expected to determine, and publish, the regulated feed-in tariff rate for 2019-20 in late June 2019.

The Regulator has also considered the issues raised by stakeholders on the feasibility of introducing a time-varying feed-in tariff and will carry out further analysis and consultation and provide a separate report to the Treasurer by 31 December 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.

In its subsequent *Tasmania-First* energy policy<sup>1</sup>, 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 was released for comment during March 2019. The paper set out a number of 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). Submissions closed on 16 April 2019.

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>

#### **b. Retail**

##### *New entrants*

1stEnergy, a Victorian based retailer operating in Victoria, New South Wales and Queensland, entered the Tasmanian electricity market in February 2019.

On 4 June 2019, Catch Energy announced that it was also entering the Tasmanian retail electricity market (Catch entered the New South Wales, Victorian, and South East Queensland markets in April). According to its website, Catch is in partnership with 1stEnergy and focuses

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<sup>1</sup> Tasmanian Liberals, *Tasmania-First energy policy*, February 2018.

on the marketing side of electricity retailing. Catch offers a single rate tariff under a market contract in each state ie a tariff that has a usage charge and a daily supply charge with no peak or off-peak periods.

As required of Aurora Energy, the Regulator intends writing to the new retailers requiring them to submit copies of the quarterly and annual retail performance reports that are lodged with the Australian Energy Regulator under its *AER (Retail Law) Performance Reporting Procedures and Guidelines (April 2018)*.

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

The Tasmanian Parliament passed amendments to the *Energy Co-ordination and Planning Act 1995* on 20 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 provide independent oversight and regular transparent public reporting of the energy security situation in Tasmania.

Prior to the passage of the legislative amendments, the monitor and assessor's functions had been carried out via memoranda of understanding between the Monitor and Assessor and Hydro Tasmania and between the Monitor and Assessor and the Energy Security Co-ordinator.

*Current energy security position*

Energy in storage (EIS) as at 3 June 2019, the date of the most recent monthly dashboard, was at 33.1 per cent. EIS at this level is able to supply 4.8 months of demand based on average winter demand of around 1 000 GWh.

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 withdrawing its Pay As You Go product (APAYG). A new product called Aurora Pay As You Go plus (APAYG+) has been introduced and 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 14 June 2019, 8 337 customers had switched from APAYG, with 53 per cent of those customers (4 381) opting to transfer to T93.

To date, 13 641 APAYG customers have provided their legal consent to transition from APAYG. The breakdown of these customers in terms of the tariffs they have selected to transition to is as follows:

- 8,239 (60.4%) customers have selected APAYG+;
- 3,383 (24.8%) customers selected Tariff 93 (ie T93 without the APAYG+ app); and

- 2,019 (14.8%) customers selected Tariff 31/41.

The Regulator intends including APAYG+ pricing in future price comparison reports.

#### 4. ELECTRICITY - RETAIL AND DISTRIBUTION QUARTERLY PERFORMANCE REPORTS (Q3, 2018-19 )

##### Retail Performance Report

Aurora Energy has provided its performance report for Q3, 2018-19 as required by Regulation 13 of the *Electricity Supply Industry Regulations 2008*.<sup>2</sup> 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 Q3, 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.

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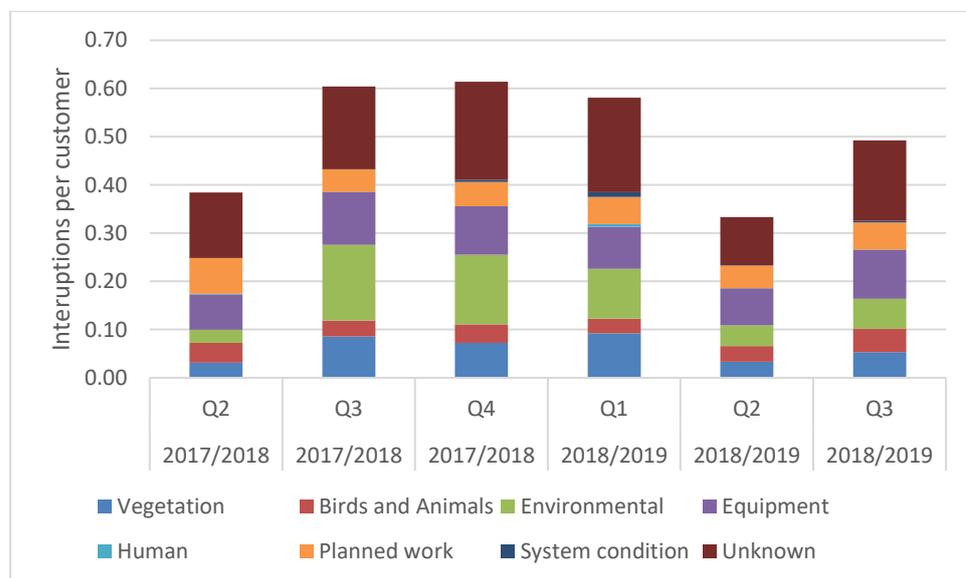
<sup>2</sup> These regulations were remade in 2018 as the *Electricity Supply Industry Regulations 2018*. The 2018 regulations were unchanged from those made in 2008.

**Table 1 Overall system performance**

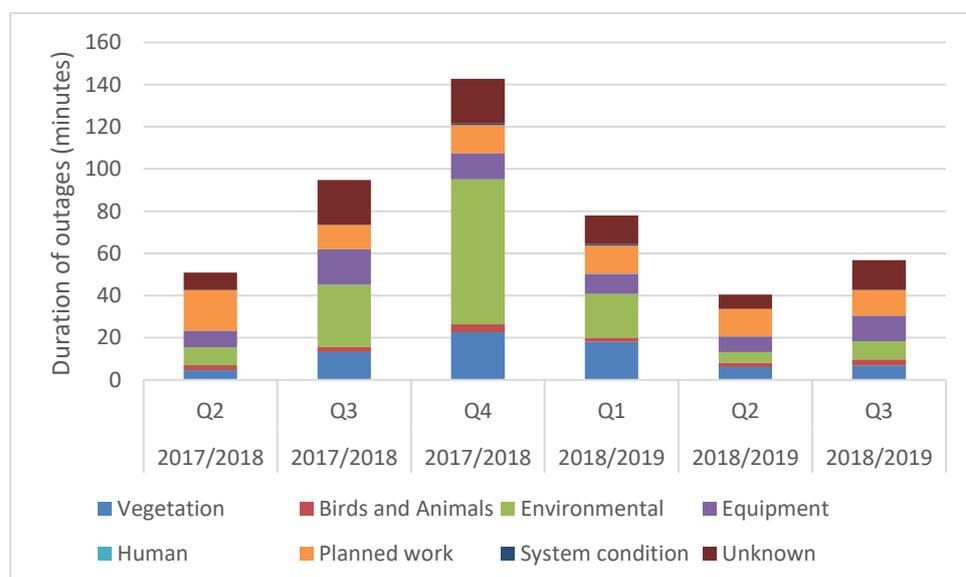
	2017/2018 Q3	2017/2018 Q4	2018/2019 Q1	2018/2019 Q2	2018/2019 Q3
SAIFI	0.60	0.61	0.58	0.33	0.49
SAIDI (minutes)	94.83	142.72	77.89	40.36	56.71
CAIDI (minutes)	157.02	232.30	134.01	121.01	115.24
MAIFI	1.24	1.11	1.41	0.79	1.57

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 - TasNetworks

A summary of quarterly performance for the 101 Communities across Tasmania is provided in Tables 2, 3 and 4.

**Table 2 Communities Exceeding Duration or Frequency Standards**

	2017/2018		2018/2019		
	Q3	Q4	Q1	Q2	Q3
Number of communities where the SAIFI standard was exceeded	16	11	17	7	10
Number of communities where the SAIDI standard was exceeded	38	38	26	11	16
Number of communities where either the SAIDI or SAIFI standard was exceeded	39	39	29	13	20

**Table 3 Community Category Performance - SAIFI**

	2017/2018		2018/2019			Annual
	Q3	Q4	Q1	Q2	Q3	Target
Critical Infrastructure	0.00	0.05	0.12	0.00	0.01	0.20
High Density Commercial	0.09	0.19	0.27	0.03	0.05	1.00
Urban and Regional Centres	0.44	0.47	0.37	0.26	0.36	2.00
Higher Density Rural	0.93	1.02	0.95	0.41	0.66	4.00
Lower Density Rural	1.06	0.93	1.16	0.60	0.97	6.00

**Table 4 Community Category Performance - SAIDI**

	2017/2018		2018/2019			Annual
	Q3	Q4	Q1	Q2	Q3	Target
Critical Infrastructure	0.09	4.57	32.25	0.59	1.62	30
High Density Commercial	14.06	44.09	29.52	7.93	6.87	60
Urban and Regional Centres	58.34	111.59	40.11	29.71	39.01	120
Higher Density Rural	151.81	216.08	110.05	47.89	86.46	480
Lower Density Rural	208.18	220.25	215.93	83.04	110.26	600

## Customer Service - TasNetworks

Table 5 Customer service performance indicators

	2017/2018		2018/2019		
	Q3	Q4	Q1	Q2	Q3
<i>Call Centre performance</i>					
Calls received	15 733	15 369	12 194	7 846	10 581
Calls answered within 30 seconds	63.11%	65.03%	79.47%	85.59%	79.40%
<i>Supply Reliability</i>					
New Connections	569	843	857	627	574
Customer charter payments / value	14/\$1 320	56/\$6 480	131/\$16 410	92/\$11 010	105/\$11 760
Complaints - reliability / quality of supply/complaints as a percentage of installations	127 (0.04%)	138 (0.05%)	113 (0.04%)	72 (0.24%)	68 (0.23%)
Reconnections	6 597	6 012	6 059	5 188	5 760
Total Customer Charter payments for reconnections (number / \$)	0/\$0	0/\$0	0/\$0	0/\$0	0/\$0
Street Lighting reported faults	296	915	766	293	376
Street lighting customer charter payments (number / \$)	0/\$0	0/\$0	0/\$0	0/\$0	0/\$0
GSL - Number of payments	6 056	20 644	5 612	1 070	3 344
Amount	<b>\$ 555 200</b>	<b>\$ 2 279 360</b>	<b>\$ 589 120</b>	<b>\$ 93 680</b>	<b>\$ 191 360</b>

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

There are no water and sewerage, electricity or gas licensing updates.

Appendix 1 – Aurora Energy quarterly performance – residential

<b>Retail - Residential</b>	<b>Trend - 5 qtrs</b>	<b>2017-18 Q3</b>	<b>2017-18 Q4</b>	<b>2018-19 Q1</b>	<b>2018-19 Q2</b>	<b>2018-19 Q3</b>
<b>Customer numbers</b>						
standing offer		218 585	220 049	221 719	223 041	228 741
APAYG customers		21 496	21 076	20 479	19 711	14 549
<b>Payment difficulties</b>						
debt repayment		4 914	3 710	3 147	4 775	5 277
average amount		\$738	\$776	\$806	794	844
debt \$500 - \$1 500		1 358	965	835	1 345	1 577
debt \$1 500 - \$2 500		345	263	246	365	429
debt over \$2 500		275	240	216	309	370
<b>Payment plans</b>						
customers on payment plan		2 906	2 797	3 155	3 619	3 311
customers who had their plan cancelled for non-payment		1 007	847	810	1 019	1 143
customers with 2 or more plans cancelled in the last 12 months		244	249	248	307	316
<b>Disconnections</b>						
residential disconnections		264	195	177	189	116
concession customers disconnected		113	71	64	87	54
payment plan customers disconnected		61	51	46	46	41
customers disconnected more than once in 24 months		9	4	11	13	13
<b>Reconnections</b>						
reconnections (within 7 days)		124	88	89	97	33
payment plan customers		31	19	21	19	16
concession customers		61	32	31	51	10
<b>APAYG - Prepayment meter (PPM) customers</b>						
PPM customers with a concession		11 505	11 304	11 017	10 704	8949
PPMs able to report self-disconnections		10 404	10 841	9 955	9 953	8338
PPM self-disconnection events		512	852	816	628	392
customers self-disconnected		433	680	672	514	330
average duration of self-disconnection events (minutes)		282	247	280	220	315

<b>Retail - Residential</b>	<b>Trend - 5 qtrs</b>	<b>2017-18 Q3</b>	<b>2017-18 Q4</b>	<b>2018-19 Q1</b>	<b>2018-19 Q2</b>	<b>2018-19 Q3</b>
<b>Hardship program</b>						
customers on the hardship program		3 156	3 251	3 490	3 893	4 065
hardship customers with a concession		2 461	2 492	2 667	2 954	3 048
customers denied access		0	0	0	0	0
customers exiting the program		523	517	440	449	153
average debt upon entry to program		\$1 705	\$1 304	\$1 510	1 772	1 621
debt \$0 - \$500		76	93	90	97	108
debt \$500 - \$1 500		336	283	345	415	394
debt \$1 500 - \$2 500		172	137	146	183	156
debt over \$2 500		125	101	98	157	75
average debt		\$1 353	\$1 304	\$1 497	1 560	1 431
customers who successfully completed program		123	200	144		153
customers excluded from program		270	174	170	210	325
customers who transferred		130	143	126	133	167
<b>Complaints (residential)</b>						
billing		2 378	2 655	3 332	2 754	2 547
marketing		0	0	0	0	0
customer transfer		0	0	0	0	0
other		1 339	1 576	1 496	1 541	2 270
<b>TOTAL</b>		3 717	4 231	4 828	4 295	4 817

Appendix 2 – Aurora Energy quarterly performance – small business

<b>Retail - Small Business</b>	<b>Trend - 5 qtrs</b>	<b>2017-18 Q3</b>	<b>2017-18 Q4</b>	<b>2018-19 Q1</b>	<b>2018-19 Q2</b>	<b>2018-19 Q3</b>
<b>Customer numbers</b>						
standing offer		31 182	31 276	31 542	31 802	31 831
market contracts		4 355	4 192	3 899	3 750	3 598
Total small business		35 537	35 468	35 441	35 552	35 429
<b>Payment difficulties</b>						
customers repaying a debt		179	162	129	168	161
average customer debt		\$ 449	\$ 386	\$ 453	415	608
<b>Disconnections</b>		7	19	15	4	6
<b>Reconnections</b>		0	2	6	2	1
<b>Complaints</b>						
billing		382	401	422	281	274
marketing		0	0	0	0	0
customer transfer		0	0	0	0	0
other		105	91	109	48	76
TOTAL		487	492	531	329	350