



PROJECTS ON THE GO

Activities of OTTER

prepared for the

OTTER Customer Consultative Committee

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**OTTER CUSTOMER CONSULTATIVE COMMITTEE
MEETING 4/2017
WEDNESDAY 13 DECEMBER 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 (1 July 2018 to 30 June 2021) on 30 June 2017. The Regulator has assessed TasWater's proposals against the legislation and the Regulator's *2018 Price Determination Investigation Price and Service Plan Guideline June 2016*, and analysed TasWater's forecasts and pricing models.

The Regulator appointed an external consultant, Arup, to review TasWater's capital and operating expenditure. Arup provided its draft report to the Regulator in October 2017.

On 30 November 2017, the Regulator released its Draft Report including the Draft Price Determination for public consultation.

The public consultation period closes on 25 January 2018.

Key future milestones are:

| Task | Date |
|--|---------------------|
| 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 |

An overview of the preliminary recommendations contained in the Draft Report will be presented by OTTER at the December OCCC meeting.

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

OTTER has commenced the preparation of the Tasmanian Water and Sewerage State of the Industry Report for 2016-17. OTTER and the other industry regulators are currently preparing their respective contributions. These are 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 2015-16 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 late March 2018, after the release of the Bureau of Meteorology's Urban National Performance Report for 2016-17 on 1 March 2018.

2. ELECTRICITY (GENERAL UPDATE)

a. Energy Security Monitor and Assessor - Annual Energy Security Report and monthly reporting

In June 2016 the 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 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.

On 29 November 2017, the Regulator released its annual report for the period 1 November 2016 to 31 October 2017 and its October monthly report (dashboard). The reports are available on the OTTER website. OTTER will present an overview of these reports at the December OCCC meeting.

b. Electricity metering reforms

Metering reforms came into effect on 1 December 2017. Under the reforms, retailers must install an advanced meter for all customers that require a new or replacement meter. Retailers are also required to appoint a metering coordinator to provide advanced metering services. Aurora Energy has appointed Metering Dynamics to provide metering services for its residential and small business customers.

Customers on standing offer tariffs will not notice any change as metering costs are factored into the tariffs Aurora Energy currently charges. Metering is a component of the Notional Maximum Revenue (NMR) used to determine standing offer prices and an estimate of the efficient costs associated with the metering reforms for 2017-18 was included in the NMR used to determine prices for 2017-18.

In May 2018, as part of the annual standing offer price approval process used to determine the prices for 2018-19, the Regulator will review Aurora Energy's actual metering costs for 2017-18 and forecast metering costs for 2018-19. Metering costs are pass through costs ie if the actual efficient metering costs are different from the forecast costs the difference will be included in the NMR for 2018-19, in addition to forecast metering costs for 2018-19.

c. Wholesale Contract Regulatory Instrument - November Price Investigation - baseload cap contract prices

On 30 October 2017, Hydro Tasmania raised concerns with OTTER that the Wholesale Contract Regulatory Instrument (Instrument) was not delivering market-based outcomes in relation to the calculation of regulated cap prices, with very low prices for regulated baseload cap contracts being calculated at that time.

OTTER confirmed this situation and concluded that these pricing outcomes were a product of the method contained within the wholesale pricing model (based on the Instrument), such that volatile prices for Victorian cap contracts could lead to very low or even negative prices for regulated baseload cap contracts in Tasmania. The Instrument subsequently delivered a number of weeks of negative regulated baseload cap prices for Tasmania. This situation was considered inconsistent with the underlying objective of the Instrument, which is to reflect competitive market outcomes.

In response, the Regulator conducted an investigation to revoke and remake the Instrument to introduce a floor price for regulated baseload cap contracts equal to the assumed off-peak cap price contained in Schedule 1 of the Instrument.

Submissions supporting the Regulator's proposals were received from Aurora Energy and Hydro Tasmania and a new Instrument was made on 29 November 2017 (effective date 1 December 2017).

d. Government review of wholesale electricity market 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 has released a terms of reference for the review outlining the Governments expectations, with the key expectations 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.

Treasury also released a guide to submissions; the closing date for written submissions is 15 December 2017. An interim report is due to be provided to Government in the first quarter of 2018 with the final report due in the second quarter of 2018.

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

At this stage, OTTER anticipates that the 2016-17 EiT Report will be provided to the Regulator for approval in mid-December.

While OTTER will make every endeavour to meet the December 2017 scheduled release date for the Report it may be necessary to delay the release of the Report until early 2018 so that it is not released too close to Christmas.

3. ELECTRICITY - RETAIL AND DISTRIBUTION QUARTERLY PERFORMANCE REPORTS (Q1, 2017-18)

Aurora Retail

Aurora Energy (Retail) has provided its performance report for Q1, 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 Q1, 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 Q1 | 2016/2017 Q2 | 2016/2017 Q3 | 2016/2017 Q4 | 2017/2018 Q1 |
|-------|-----------------|-----------------|-----------------|-----------------|-----------------|
| SAIFI | 0.68 | 0.48 | 0.42 | 0.32 | 0.46 |
| SAIDI | 163.93 | 65.49 | 41.26 | 38.05 | 57.15 |
| CAIDI | 242.78 | 135.77 | 98.80 | 120.60 | 123.26 |
| MAIFI | 0.93 | 0.86 | 1.13 | 1.75 | 1.30 |

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

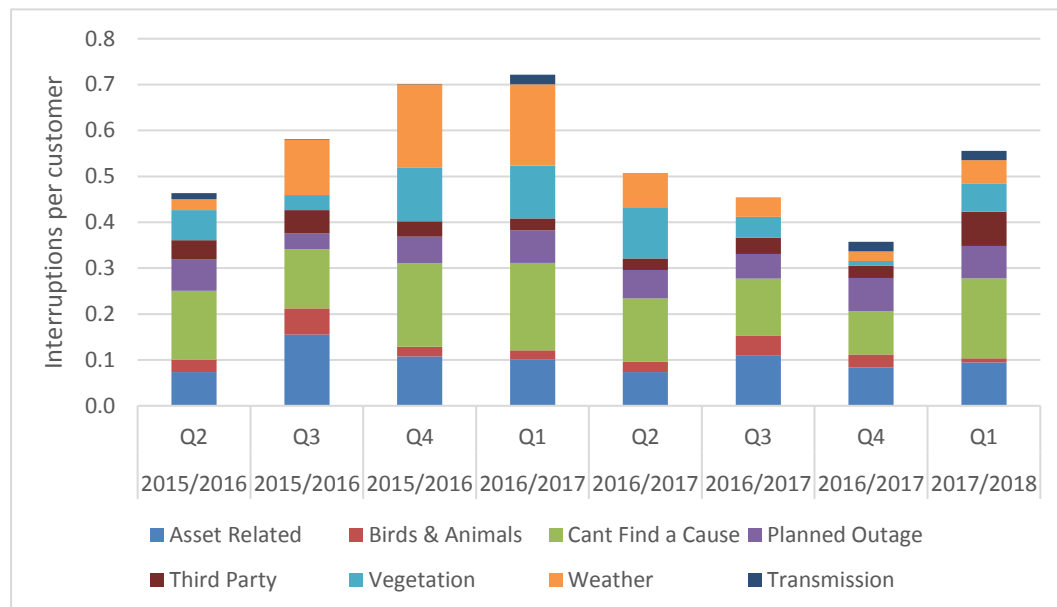
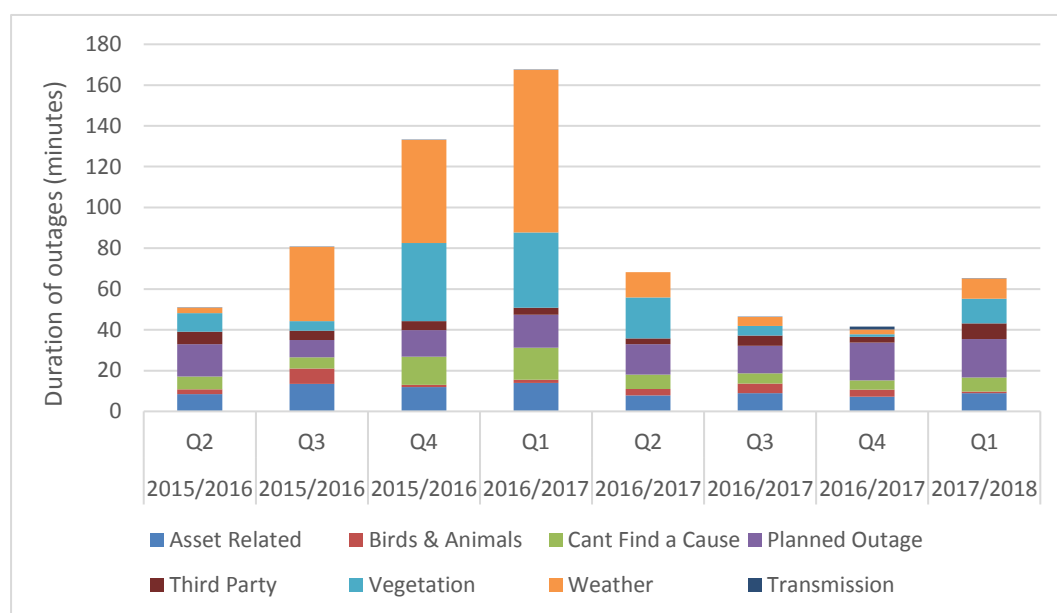


Figure 2 Contributions to SAIDI



The only MED for Q1, 2017-18 occurred on 11 August 2017 and contributed 0.04 interruptions to SAIFI and 11.75 minutes to SAIDI for the quarter.

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 |
|--|-----------|----|----|----|-----------|
| | Q1 | Q2 | Q3 | Q4 | Q1 |
| Number of communities exceeding SAIFI standard | 17 | 12 | 14 | 4 | 7 |
| Number of communities exceeding SAIDI standard | 39 | 26 | 9 | 10 | 21 |
| Number of communities exceeding either SAIDI or SAIFI standard | 41 | 30 | 17 | 12 | 25 |
| Number of communities exceeding both SAIDI and SAIFI standards | 15 | 8 | 6 | 2 | 3 |

Table 4 Community Category Performance - SAIFI

| | 2016/2017 | | | | 2017/2018 | Annual |
|----------------------------|-----------|------|------|------|-----------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Target |
| Critical Infrastructure | 0.07 | 0.24 | 0.01 | 0.07 | 0.05 | 0.20 |
| High Density Commercial | 0.05 | 0.02 | 0.03 | 0.02 | 0.07 | 1.00 |
| Urban and Regional Centres | 1.13 | 0.83 | 0.78 | 0.48 | 0.66 | 2.00 |
| Higher Density Rural | 1.17 | 1.13 | 0.75 | 0.66 | 1.05 | 4.00 |
| Lower Density Rural | 0.48 | 0.26 | 0.27 | 0.21 | 0.30 | 6.00 |

Table 5 Community Category Performance - SAIDI

| | 2016/2017 | | | | 2017/2018 | Annual |
|----------------------------|-----------|--------|-------|-------|-----------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Target |
| Critical Infrastructure | 8.69 | 4.93 | 0.21 | 9.76 | 13.40 | 30 |
| High Density Commercial | 9.33 | 3.41 | 2.00 | 2.05 | 10.47 | 60 |
| Urban and Regional Centres | 340.13 | 120.16 | 68.85 | 55.49 | 100.50 | 120 |
| Higher Density Rural | 345.13 | 193.73 | 81.02 | 88.50 | 136.55 | 480 |
| Lower Density Rural | 86.87 | 25.34 | 27.06 | 23.48 | 30.39 | 600 |

Customer Service

Table 6 Customer service performance indicators

| | 2016/2017 | | | | 2017/2018 |
|--|--------------|--------------|--------------|--------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 |
| <i>Call Centre performance</i> | | | | | |
| Calls received | 18 940 | 9 595 | 9 102 | 11 252 | 10 000 |
| Calls answered within 30 seconds | 55.37% | 83.60% | 89.05% | 78.26% | 80.72% |
| <i>Supply Reliability</i> | | | | | |
| New Connections | 637 | 680 | 617 | 705 | 714 |
| Customer charter payments/value | 74 / \$7 710 | 62 / \$7 050 | 55 / \$5 040 | 66 / \$5 940 | 48 / \$5 040 |
| 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%) |
| Reconnections | 6 349 | 6 673 | 7 277 | 6 443 | 6 467 |
| Total Customer Charter payments for reconnections (number / \$) | 0 / \$0 | 0 / \$0 | 0 / \$0 | 0 / \$0 | 0 / \$0 |
| Complaints | 154 | 108 | 120 | 123 | 177 |
| Street Lighting reported faults | 972 | 378 | 972 | 882 | 628 |
| Street lighting customer charter payments (number / \$) | 1/\$30 | 4 / \$120 | 3 / \$90 | 6 / \$180 | 9 / \$270 |
| GSL - Number of payments | 22 543 | 4 344 | 1 307 | 2 462 | 2 327 |
| Amount | \$3 064 720 | \$429 280 | \$109 600 | \$198 800 | \$203 840 |

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

Tasmanian Irrigation Pty Ltd electricity generation licence – Renewal

On 3 October 2017 the Regulator renewed the electricity generation licence held by Tasmanian Irrigation Pty Ltd for a further period of 10 years, effective 1 January 2018.

Electricity licences - Emergency management planning amendments

On 7 November 2017, the Regulator amended the following electricity licences to remove the requirement to develop and maintain an emergency management plan in accordance with a guideline issued by the Jurisdictional System Security Co-ordinator:

- Hydro Tasmania - retail, distribution, generation (BSI) licences
- Hydro Tasmania - generation licence
- AETV - generation licence
- TasNetworks - transmission, distribution licences
- LMS Energy - generation licence

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) PREMIUM APPROVAL

The Regulator provided its Final Report to the Government on 20 July 2017 relating to its investigation into the Motor Accidents Insurance Board's (MAIB) pricing policies.

In its Final Report, the Regulator recommended increases in premiums, relative to the current premiums, for:

- motorcycles;
- taxis and luxury hire cars; and
- off-road and recreational vehicles.

The Regulator recommended lower premiums, relative to the current premiums, for:

- motor trade plates;
- farm tractors;
- medium public passenger vehicles; and
- special interest vehicles.

The Regulator also recommended the creation of a new class for ride-sourcing vehicles (eg Uber). Premiums for vehicles in this class are the same as the premium for Class 1 Motor Cars.

In early September 2017, the Government announced that it had decided to:

- a) accept the Regulator's recommendation to create a new class for ride sourcing vehicles and to reduce premiums for motor trade plates, farm tractors, medium public passenger vehicles and special interest vehicles;
- b) not accept the recommendation to increase premiums for motorcycles, taxis and luxury hire cars and off-road and recreational vehicles ie premiums for vehicles in these classes remain at the current level; and
- c) leave the MAIB premiums for all other classes unchanged (including Class 1 Motor Cars).

The Government's decision was reflected in the *Economic Regulator (MAIB Premiums) Order 2017* (MAIB Premium Order) issued by the Government on 21 September 2017 in accordance with section 36(3) of the *Economic Regulator Act 2009*. The MAIB Premium Order specified the maximum premiums MAIB could charge for each of the four years covered by the Order (1 December 2017 to 30 November 2021 inclusive).

The MAIB provided its pricing application to the Regulator on 15 November 2017.

On 27 November 2017, the Regulator approved the MAIB's proposed premiums for the 12 month period ending on 30 November 2018 having confirmed that the proposed premiums were consistent with the MAIB Premium Order.

6. COMPETITIVE NEUTRALITY - COMPLAINT INVESTIGATION - CITY OF LAUNCESTON BUILDING SURVEYING SERVICES

On 1 November 2017, the Tasmanian Economic Regulator determined under subsection 57(1) of the *Economic Regulator Act 2009* that a competitive neutrality complaint against the City of Launceston Building Surveying Services was justified.

The Regulator determined that the City of Launceston is contravening the National Competition Policy competitive Neutrality Principles (NCP CNPs) by not applying full cost attribution to the significant business activity of building surveying services.

Appendix 1 – Aurora Energy quarterly performance – residential

| Retail - Residential | Trend - 5 qtrs | 2016-17 Q1 | 2016-17 Q2 | 2016-17 Q3 | 2016-17 Q4 | 2017-18 Q1 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Customer numbers | | | | | | |
| standing offer | | 212 545 | 213 250 | 213 832 | 214 733 | 217 487 |
| APAYG customers | | 24 588 | 24 287 | 23 975 | 23 641 | 22 013 |
| Payment difficulties | | | | | | |
| debt repayment | | 3 032 | 4 369 | 4 623 | 3 562 | 2 848 |
| average amount | | \$785 | \$739 | \$759 | \$756 | \$784 |
| debt \$500 - \$1 500 | | 797 | 1 225 | 1 292 | 902 | 700 |
| debt \$1 500 - \$2 500 | | 231 | 341 | 376 | 260 | 208 |
| debt over \$2 500 | | 208 | 246 | 279 | 230 | 197 |
| Payment plans | | | | | | |
| customers on payment plan | | 2 366 | 2 658 | 2 693 | 2 419 | 2 661 |
| customers who had their plan cancelled for non-payment | | 625 | 697 | 921 | 823 | 556 |
| customers with 2 or more plans cancelled in the last 12 months | | 259 | 219 | 272 | 227 | 162 |
| Disconnections | | | | | | |
| residential disconnections | | 241 | 230 | 258 | 287 | 223 |
| concession customers disconnected | | 113 | 116 | 132 | 133 | 107 |
| payment plan customers disconnected | | 70 | 55 | 63 | 93 | 67 |
| customers disconnected more than once in 24 months | | 20 | 14 | 11 | 23 | 27 |
| Reconnections | | | | | | |
| reconnections (within 7 days) | | 114 | 124 | 114 | 124 | 117 |
| payment plan customers | | 31 | 24 | 21 | 37 | 31 |
| concession customers | | 44 | 54 | 52 | 57 | 53 |
| APAYG - Prepayment meter (PPM) customers | | | | | | |
| PPM customers with a concession | | 13 038 | 12 835 | 12 649 | 12 459 | 11 759 |
| PPMs able to report self-disconnections | | 10 210 | 10 340 | 10 700 | 10 911 | 10 307 |
| PPM self-disconnection events | | 941 | 743 | 560 | 988 | 885 |
| customers self-disconnected | | 719 | 622 | 484 | 785 | 699 |
| average duration of disconnection events (minutes) | | 293 | 250 | 285 | 218 | 257 |

| Retail - Residential | Trend - 5 qtrs | 2016-17 Q1 | 2016-17 Q2 | 2016-17 Q3 | 2016-17 Q4 | 2017-18 Q1 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Hardship program | | | | | | |
| customers on the hardship program | | 2 105 | 2 199 | 2 154 | 2 208 | 2 568 |
| hardship customers with a concession | | 1 694 | 1 794 | 1 767 | 1 728 | 2 014 |
| customers denied access | | 0 | 0 | 0 | 0 | 0 |
| customers exiting the program | | 435 | 393 | 512 | 372 | 323 |
| average debt upon entry to program | | \$1 493 | \$1 617 | \$1 554 | \$1 750 | \$1 458 |
| debt \$0 - \$500 | | 90 | 69 | 64 | 47 | 103 |
| debt \$500 - \$1 500 | | 219 | 219 | 193 | 193 | 319 |
| debt \$1 500 - \$2 500 | | 88 | 96 | 125 | 95 | 141 |
| debt over \$2 500 | | 78 | 103 | 85 | 91 | 120 |
| average debt | | \$1 476 | \$1 540 | \$1 393 | \$1 339 | \$1 518 |
| customers who successfully completed program | | 130 | 99 | 134 | 115 | 68 |
| customers excluded from program | | 224 | 218 | 259 | 192 | 163 |
| customers who transferred | | 81 | 76 | 119 | 65 | 92 |
| Complaints (residential) | | | | | | |
| billing | | 1 824 | 1 755 | 1 584 | 1 684 | 2 557 |
| marketing | | 0 | 0 | 0 | 0 | 0 |
| customer transfer | | 0 | 0 | 0 | 0 | 0 |
| other | | 424 | 533 | 542 | 673 | 1 274 |
| TOTAL | | 2 248 | 2 288 | 2 126 | 2 357 | 3 831 |

Appendix 2 – Aurora Energy quarterly performance – small business

| Retail - Small Business | Trend - 5 qtrs | 2016-17 Q1 | 2016-17 Q2 | 2016-17 Q3 | 2016-17 Q4 | 2017-18 Q1 |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Customer numbers | | | | | | |
| standing offer | | 30 446 | 30 570 | 30 596 | 30 654 | 30 285 |
| market contracts | | 5 465 | 5 458 | 4 654 | 4 537 | 4 577 |
| Total small business | | 35 911 | 36 028 | 35 250 | 35 191 | 34 862 |
| Payment difficulties | | | | | | |
| customers repaying a debt | | 184 | 205 | 172 | 167 | 127 |
| average customer debt | | \$ 901 | \$ 804 | \$ 684 | \$ 871 | \$ 414 |
| Disconnections | | 18 | 19 | 18 | 28 | 4 |
| Reconnections | | 4 | 5 | 4 | 9 | 1 |
| Complaints | | | | | | |
| billing | | 236 | 240 | 229 | 215 | 279 |
| marketing | | 0 | 0 | 0 | 0 | 0 |
| customer transfer | | 0 | 0 | 0 | 0 | 0 |
| other | | 39 | 41 | 62 | 54 | 54 |
| TOTAL | | 275 | 281 | 291 | 269 | 333 |