

Office of the Tasmanian Economic Regulator

2020-21 Operating Plan

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Office of the Tasmanian Economic Regulator

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The Office of the Tasmanian Economic Regulator (OTTER) is resourced by the Department of Treasury and Finance (Treasury). Consequently, OTTER uses Treasury's planning tools in the annual planning process. This Operating Plan is one of OTTER's major planning tools. It also informs our stakeholders of our activities for the financial year as can reasonably be foreseen.

OTTER's primary objective is to provide administrative and regulatory support to the Tasmania Economic Regulator (Regulator) for the statutory functions under the *Economic Regulator Act 2009* (ER Act), *Electricity Supply Industry Act 1995* (ESI Act), *Gas Act 2000* (Gas Act), *Gas Pipelines Act 2000* (Gas Pipelines Act), the *Water and Sewerage Industry Act 2008* (W&SI Act) and the *Energy Coordination and Planning Act 1995* (ECP Act).

OTTER has a large number of standard tasks, including preparing various reports and assisting the Regulator in making approvals. The schedule in Table 1 below sets out the decisions the Regulator expects to make, and the reports it expects to release, during 2020-21.

Water and sewerage and retail electricity standing offer pricing investigations scheduled for 2020-21 are taken to have been deferred by one year after TasWater and Aurora Energy, respectively, approached the Government seeking deferrals due to the expected impact of the COVID-19 pandemic on these tasks. In response, the Government has committed to introducing legislation during 2020-21 to defer these investigations together with the regulated feed-in tariff rate investigation which was also scheduled for 2020-21. During 2020-21 OTTER expects to commit considerable resources to preparatory activities in relation to the water and sewerage, retail electricity standing offer pricing and regulated feed-in tariff rate investigations now rescheduled for 2021-22.

OTTER actively promotes stakeholder engagement by targeting communication and liaison with customer, community, and government stakeholders. OTTER also monitors national regulatory developments and actively engages with national and jurisdictional regulators across the energy and water and sewerage sectors.

During 2020-21, OTTER will continue to review the regulatory frameworks that it administers to ensure that they operate effectively, align with national regulatory arrangements, and avoid regulatory overlap or duplication. This will ensure that the cost of regulation, which is ultimately borne by customers, is minimised.

OTTER's output is considerable for an organisation of its size and is testimony to the commitment and engagement of OTTER staff. During 2020-21, OTTER will strive to continue to deliver the level of support and service that the Regulator and stakeholders expect.

Chris Lock
DIRECTOR

Table 1 Regulator's decisions and reports scheduled to be published in 2020-21

Items	Approximate publication date
Comparison of electricity prices and of gas prices in Australia Report	August 2020
Regulator's 2019-20 Annual Report	October 2020
Regulator's determination relating to the prices of Owner-operator Taxi Licences	November 2020
Annual Energy Security Review 2019-20	November 2020
Energy in Tasmania 2019-20 Report	January 2021
Comparison of electricity prices and of gas prices in Australia Report	March 2021
State of the Tasmanian Water and Sewerage Industry Report for 2019-20	April 2021
Regulator's Draft Report and recommendations in relation to maximum MAIB premiums for the period 1 December 2021 to 30 November 2025	May 2021
Approval of Aurora Energy's 2021-22 electricity prices	June 2021
Determination of Regulated 2021-22 Feed-in-Tariff Rate	June 2021
Approval of Bass Strait Islands' 2021-22 electricity prices	June 2021

Our Roles and responsibilities

OTTER supports the Regulator fulfil its statutory functions under various pieces of legislation and in relation to a range of industries as set out below.

Regulator's functions under the Economic Regulator Act

The Regulator's functions and powers under the ER Act include:

- ❑ investigating the pricing policies of certain Government-owned bodies, and other providers of services and goods in Tasmania, that are monopoly or near monopoly providers;
- ❑ recommending maximum prices chargeable by these bodies for the supply of services and goods; and
- ❑ conducting investigations into complaints against State and local government businesses in connection with alleged breaches of the national competition policy competitive neutrality principles.

Regulation of the electricity supply industry

The Regulator's functions under electricity legislation reflect the fact that the major Government-owned electricity entities have significant market power in Tasmania. In this environment, most customers require the protection of regulation for both price and conditions of supply as customers cannot negotiate on an equal footing with the service providers.

Over time, the Regulator's functions have been shaped by Tasmania's participation in the National Electricity Market (NEM) and national and state-based energy regulatory reform.

The Regulator has several functions under the ESI Act including:

- ❑ administering the Tasmanian Electricity Code (TEC);
- ❑ administering the licensing system for the electricity supply industry (ESI);
- ❑ monitoring and enforcing compliance with licence conditions;
- ❑ monitoring ESI entities' performance;
- ❑ approving Aurora Energy's standing offer and Hydro Tasmania's Bass Strait Islands electricity prices;
- ❑ determining the regulated electricity feed-in tariff rate; and
- ❑ regulating certain financial risk contracts offered by Hydro Tasmania.

The Regulator's objectives include:

- ❑ promoting competition in the ESI;
- ❑ maintaining an efficient ESI;
- ❑ enforcing proper standards of safety, reliability and quality in the ESI; and
- ❑ protecting electricity consumers interests.

The Regulator also performs the role of Energy Security Monitor and Assessor under the ECP Act, which includes issuing monthly information reports and an annual energy security review.

Regulation of the gas supply industry

The Regulator's functions as regulator of the gas supply industry in Tasmania are defined in the Gas Act. These functions exclude price regulation, but include:

- ❑ administering the licensing system for gas entities; and
- ❑ publishing and monitoring standards and codes for the services provided by gas entities.

The Gas Pipelines Act, Gas Act and four associated codes establish the procedural and institutional arrangements for Tasmania's gas market.

The Gas Distribution Code and Gas Retail Code set out the minimum standards for gas distribution and gas retail. The Gas Bulk Customer Transfer Code provides the regulatory framework for transferring customers in bulk between gas retailers.

The Gas Customer Transfer and Reconciliation Code (Transfer Code) establishes the rules and procedures for metering and reconciliation of gas quantities and the transfer of customers between retailers. The Transfer Code also establishes a metering data provider scheme and the certification of an allocation agent.

The Regulator's key objectives include:

- ❑ aiding the development of the gas supply industry in Tasmania;
- ❑ promoting efficiency and competition in the gas supply industry;
- ❑ monitoring the performance of the gas supply industry; and
- ❑ protecting the interests of gas customers.

Economic regulation of the water and sewerage sector

The Regulator has several responsibilities under the W&SI Act, including:

- ❑ determining maximum prices for regulated water and sewerage services;
- ❑ promoting efficiency in terms of costs and pricing arrangements;
- ❑ issuing and administering licences for water and sewerage service providers (currently only TasWater);
- ❑ establishing and administering minimum customer service standards through development of the Tasmanian Water and Sewerage Customer Service Code (Customer Service Code);
- ❑ monitoring and enforcing water and sewerage entities' compliance with licence conditions; and
- ❑ monitoring the performance of the industry.

2020-21 Strategic Challenges

A number of key issues and challenges face OTTER and the Regulator during 2020-21 including:

- ❑ ensuring that Codes and other instruments issued by the Regulator reflect the Government's reforms to the Tasmanian electricity and gas industries;
- ❑ monitoring national regulatory developments and more actively engaging with national and jurisdictional regulators across the energy and water and sewerage sectors;
- ❑ improving OTTER's modelling capacity for the forthcoming Aurora Energy standing offer price investigation and the TasWater price determination investigation;
- ❑ building stakeholders' understanding of various regulatory matters, including the pricing of electricity and water and sewerage services; and
- ❑ promoting greater customer and stakeholder engagement in regulatory matters.

Standard Tasks

The following standard OTTER tasks and projects assist the Regulator to achieve its objectives:

- ❑ administering the licensing system for the electricity, gas and water and sewerage sectors;
- ❑ issuing, maintaining and enforcing legislation, codes and licence obligations in each industry sector;
- ❑ regulating certain wholesale market contracts and monitoring the wholesale market;
- ❑ investigating competitive neutrality complaints;
- ❑ establishing, monitoring and publishing standards and codes;
- ❑ developing, maintaining and publishing guidelines;
- ❑ supporting the OTTER Customer Consultative Committee (OCCC);
- ❑ participating in the national and intra-jurisdictional working groups and committees;
- ❑ reviewing quarterly and annual electricity performance reports and returns;
- ❑ reviewing and verifying water and sewerage performance data as part of OTTER's role of data and audit co-ordinator for national water performance reporting;
- ❑ reviewing outcomes of independent appraisals of management and compliance plans and monitoring the implementation of recommendations;
- ❑ reviewing electricity incident reports and annual planning documents;
- ❑ responding to queries and complaints on electricity, gas and water and sewerage pricing matters;
- ❑ determining gas, electricity and water and sewerage licence fees and recovering investigation costs;
- ❑ providing advice to the Government and making inquiries as requested by the Minister;
- ❑ publishing weekly electricity market bulletins summarising outcomes of the NEM in relation to the Tasmanian region, as well as other factors affecting the electricity system in Tasmania;
- ❑ publishing Energy Security monthly dashboards and the annual energy security review; and
- ❑ responding to right to information requests.

Our Stakeholders

OTTER is responsible to the Tasmanian Economic Regulator. OTTER has very important relationships with the following stakeholders:

- ❑ consumers of the services provided by the regulated entities that we investigate or regulate and consumer bodies, including the OCCC;
- ❑ regulated gas, electricity and water and sewerage entities and other businesses in the electricity supply industry;
- ❑ State Government businesses and local government businesses that are monopoly providers of goods and services;
- ❑ State Government departments responsible for energy and water policy, transport and infrastructure;
- ❑ Australian and state and territory regulatory bodies; and
- ❑ representatives of industry participants in the industries affected by our investigations and regulation.

Organisational Structure and Values

OTTER staff are employed by the Department of Treasury and Finance, which is a values-based organisation. OTTER staff base their decisions and behaviour on the following values:

- ❑ **Integrity** as it builds confidence, trust and self-respect, and is the foundation of open and honest communication;
- ❑ **Excellence** as it challenges us to give our best and brings us recognition;
- ❑ **Respect** as it recognises the value of each of us and the contribution we all make;
- ❑ **Passion** as it inspires us to achieve great things; and
- ❑ **Camaraderie ...** as it creates a fun and supportive place to be.

OTTER's organisational structure for 2020-21 is shown below.



