



Operating Plan 2011-12

of the

Office of the Tasmanian Economic Regulator

April 2011

INTRODUCTION

This Operating Plan is one of the planning tools of the Office of the Tasmanian Economic Regulator (OTTER). It also informs our stakeholders of our activities for the year as can reasonably be foreseen.

The *Economic Regulator Act 2009* came into effect on 1 June 2010 and established the three-member Tasmanian Economic Regulator. OTTER's objective is to provide high level regulatory support to the Regulator.

The first part of the year will see OTTER assist the Regulator in its first investigation of prices for water and sewerage services. New prices will take effect from 1 July 2012. This will be a challenging project and will be the first step towards sustainable pricing in the sector. OTTER will work closely with the three water corporations to ensure that these regulated services are efficiently priced and maintained to an appropriate standard whilst promoting efficient long-term investment in water and sewerage infrastructure.

From 1 July 2011, a new tranche of business customers will become contestable in the Tasmanian electricity market. OTTER has a role in administering the regulatory framework in respect of these customers and providing information on what contestability means for them.

Although the present electricity retail price determination will expire on 30 June 2013, OTTER will commence preparation for the next investigation in the first quarter of 2012 with consultation on the retail services to be declared. The outcomes of the Electricity Supply Industry Expert Panel's review of the industry, the possibility of carbon pricing, the implementation of the National Energy Customer Framework, and any further roll out of contestability, will impact on this activity.

OTTER's output is considerable for an organisation of its size and is testimony to the commitment and engagement of OTTER staff. In the coming year, OTTER will continue to deliver the high quality level of support/service that the Regulator and other stakeholders expect.

Jane Hyland
DIRECTOR

OUR ROLES AND RESPONSIBILITIES

OTTER supports the Economic Regulator in undertaking its statutory functions under the *Economic Regulator Act 2009*, the *Electricity Supply Industry Act 1995*, the *Gas Act 2000*, the *Gas Pipelines Act 2000* and the *Water and Sewerage Industry Act 2008*.

The Regulator's functions under the Economic Regulator Act

The Economic Regulator is established under the *Economic Regulator Act 2009*. Its functions under this Act include:

- investigations and inquiries into the pricing policies of certain Government bodies that are monopoly, or near monopoly, providers of services and goods in Tasmania;
- recommending maximum prices chargeable by these bodies in respect of the supply of those services and goods; and
- investigations into complaints of breaches of the national competition policy competitive neutrality principles.

Regulation of the electricity supply industry

The Regulator also administers the *Electricity Supply Industry Act 1995* (ESI Act), the Tasmanian Electricity Code and other related regulatory instruments. The Regulator has a number of key responsibilities:

- administering the licensing system for electricity supply industry entities and monitoring and enforcing their compliance with licence conditions;
- issuing and maintaining the Tasmanian Electricity Code;
- monitoring and regulating technical standards in the electricity supply industry; and
- investigations into the pricing policies of entities that supply declared electrical services.

In undertaking these functions, the Regulator's objectives include:

- the promotion of efficiency and competition in the electricity supply industry;
 - the establishment and maintenance of an efficient system of electricity generation, transmission, distribution and retail supply; and
 - the protection of the interests of electricity consumers.
-

Regulation of the gas supply industry

The *Gas Pipelines Act 2000*, *Gas Act 2000* and associated codes establish the procedural and institutional arrangements for what has been a fully contestable gas market since its commencement. Except for economic regulation, the Regulator's functions are similar to that in the electricity supply industry with key objectives of:

- facilitating the development of a gas supply industry in Tasmania;
- promoting efficiency and competition in the gas supply industry; and
- protecting the interests of consumers of gas.

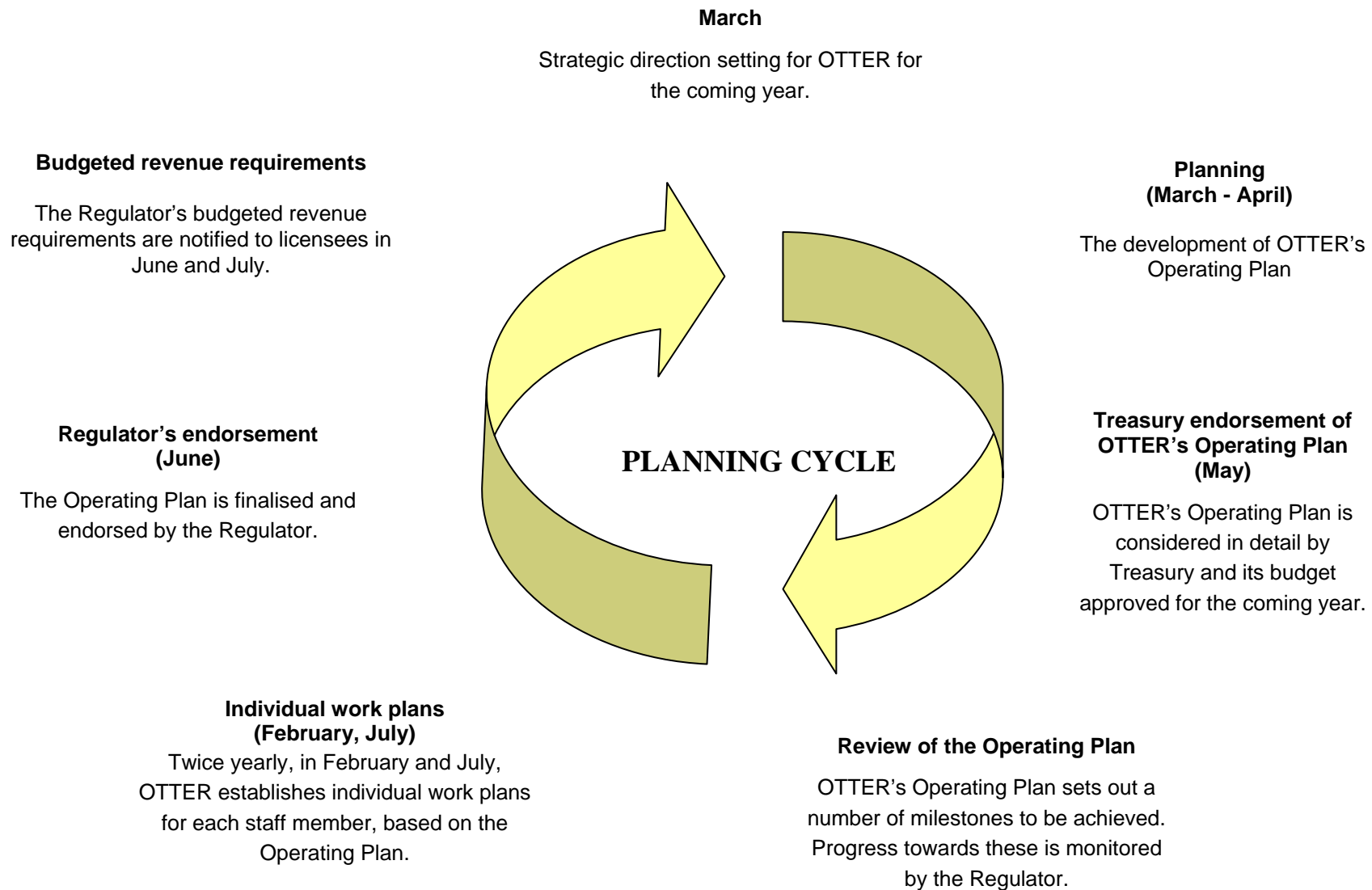
The economic regulation of the water and sewerage sector

In addition, the Regulator has responsibilities under the *Water and Sewerage Industry Act 2008* which provides the framework for the economic regulation of the water and sewerage sector, including the establishment of a licensing regime and providing for the regulation of prices, customer service standards and performance monitoring of the sector.

THE PLANNING PROCESS

This Operating Plan (and the planning processes that underpin it) is the means by which OTTER ensures that its activities are focussed on supporting the Regulator to achieve its objectives.

OTTER's planning cycle, illustrated below, provides the framework for developing integrated and focused strategies, objectives and work practices for OTTER staff.



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.
-

CRITICAL SUCCESS FACTORS

OTTER has identified six factors that are critical to its success - being those characteristics that are essential for OTTER to achieve its objectives. We aim to ensure that:

- Our output is relevant.
- Our positioning is credible.
- We apply robust analytical frameworks.
- We demonstrate process efficiency.
- Our staff are skilled and understand why they are doing what they do.
- Our staff are engaged with their roles.

OUR STAKEHOLDERS

OTTER's key stakeholder is the Tasmanian Economic Regulator.

We also have a very important relationship with the following stakeholders, upon whom our ability to meet our objectives relies:

- the Treasurer, the Minister for Energy, and the Minister for Primary Industries and Water;
- consumers of the services we investigate or regulate;
- licensed gas and electricity supply entities and water and sewerage corporations;
- Government Business Enterprises, agencies and local government businesses that are monopoly providers of goods and services;
- Australian and state regulatory bodies; and
- representatives of industry and consumer bodies.

STRATEGIC CHALLENGES 2011-12

Through our planning process we have identified a number of key issues and challenges facing OTTER and the Regulator in 2011-12 including:

- the continued implementation of the economic regulatory framework for the water and sewerage sector;
 - water and sewerage investigations into the pricing policies of the three corporations;
 - keeping abreast of national developments that will impact on the regulation of the energy supply industry in Tasmania;
 - ensuring that the transition of State-based electricity regulatory arrangements to national arrangements remains consistent with relevant State and national objectives;
 - responding to changes in Government policy arising from the outcomes of the work of the Electricity Supply Industry Expert Panel;
 - review Aurora Energy's allowance for the cost of energy contained in retail tariffs should the Australian Government's plans to price carbon be implemented;
 - the next retail price investigation which will commence in the second half of 2011-12;
 - application of the regulatory framework to a new tranche of contestable electricity customers;
 - responding to an unknown volume of competitive neutrality complaints;
 - responding to changes in Government policy arising from the outcomes of the Water and Sewerage Select Committee;
 - building stakeholders' understanding of various regulatory matters, including the pricing of electricity and water and sewerage services.
-

KEY INITIATIVES AND TASKS IN 2011-12

Our key initiatives and tasks in 2011-12 are focused on assisting the Tasmanian Economic Regulator to achieve its objectives. These tasks and initiatives are listed below together with the timeframes for their completion.

KEY INITIATIVE OR TASK	TIMEFRAME FOR COMPLETION
Undertake water and sewerage price investigations.	September 2011 to May 2012
Issue price and service plan guidelines for the water and sewerage sector.	30 September 2011
Technical review of water and sewerage performance information (carry over from 2010-11).	31 August 2011
Prepare and publish OTTER's annual report for 2010-11.	31 October 2011
Review and report on the performance of the water and sewerage sector (State of the Industry Report).	30 April 2012
Undertake the role of data and audit co-ordinator for national water performance reporting.	On-going
Assist in the education of the water corporations on regulatory matters.	On-going
Prepare for the investigation of maximum retail tariffs for non-contestable customers on mainland Tasmania starting with the declaration of services.	30 March 2012
Determine electricity licence fees for 2011-12 in accordance with the Regulator's 2011 Structure of Licence Fees.	31 August 2011

KEY INITIATIVE OR TASK	TIMEFRAME FOR COMPLETION
Prepare and publish a six monthly comparison of standing offer energy prices; and comparison of distribution charges across Australia.	31 July 2011 and 31 January 2012
Prepare and publish a comparison of APAYG rates and regulated electricity tariffs.	31 July 2011
Review management and/or compliance plans of Hydro Tasmania, Transend Networks, AETV Power, Tas Gas Retail and the Tasmanian Gas Pipeline operator.	30 June 2012
Amend codes and guidelines in preparation for the introduction of the National Energy Customer Framework.	30 June 2012
Conduct a survey of contestable customers and present and potential retailers about the development of competition in the electricity retail sector.	31 October 2011
Approve electricity retail tariffs for commencement on 1 July 2012.	15 June 2012
Publish a comprehensive report on the performance of the energy supply industry in 2010-11.	24 December 2011
Review and publish a report on the reliability of the Tasmanian power system (Reliability Review).	24 December 2011
Implement contestability arrangements for large offer and standing offer contestable customers.	On-going
Educate standing offer contestable customers.	On-going
Review Aurora Energy's regulatory accounts.	31 December 2011

KEY INITIATIVE OR TASK	TIMEFRAME FOR COMPLETION
Review and relaunch the OTTER website to better reflect the roles of the new Tasmanian Economic Regulator.	31 December 2011
Inquire into and report to the Transport Commission on appropriate methodologies for the setting of taxi fares.	31 December 2011

STANDARD TASKS 2011-12

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

- administration of the licensing system for the electricity, gas, and water and sewerage sectors;
 - the issue, maintenance and enforcement of legislation, codes and licence obligations in each industry sector;
 - establishment, monitoring and publication of standards and codes;
 - development and publication of guidelines;
 - provision of advice to the Government;
 - support of the OTTER Customer Consultative Committee;
 - participation in national and intra-jurisdictional working groups and committees;
 - monitoring and enforcing compliance with the legislation, codes and licence obligations;
 - collection of information and statistics, publishing reports and disseminating information relating to the performance of the industry;
 - review of quarterly annual performance reports and returns;
 - review of the outcomes of independent appraisals of management plans and monitoring the implementation of recommendations;
 - review of management plans, compliance plans, incident reports and annual planning documents;
 - conduct of investigations into complaints of breaches of the national competition policy competitive neutrality principles;
 - determination of gas and electricity licence fees and recovery of investigation costs;
 - provide advice to the Government agencies and undertake inquiries as requested by the Minister;
 - respond to 'right to information' requests;
 - publication of *OTTER News* and provision of input to other publications;
 - assessment and approval of contestability applications;
 - website management; and
 - reception, records management, library management, invoicing, payments and other Office administrative duties.
-

ORGANISATIONAL STRUCTURE

