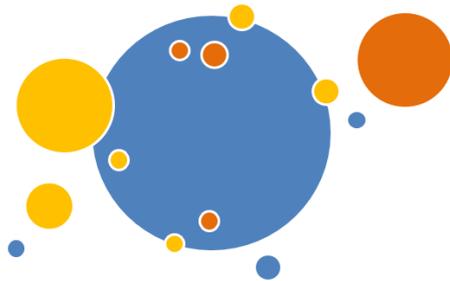


Inquiry into small-scale networks

Water, sewerage, electricity and gas services



Stuart Peevor
Manager Pricing and Access

September 2016

Protection of the long term interests of
South Australian consumers with respect
to the price, quality and reliability
of essential services

Housekeeping



- Emergency
- Toilets
- Mobile phones
- Format of forum
- Survey

Structure of session



1. Commission

2. Inquiry

- Background, context and scope
- Objective and framework
- Timelines

3. Issues paper

4. Stakeholder input

- How stakeholders can provide input
- Questions we are seeking feedback on

5. Q&A

The Commission



Adam Wilson, CEO



What does the Inquiry cover?

- Terms of reference

The Commission will inquire into appropriate regulatory arrangements administered by the Commission under the Act (including subsidiary regulatory instruments made by the Commission such as industry codes) and price regulation arrangements for small-scale operations for the purposes of carrying out its functions in the following markets:

- *water retail services*
- *sewerage retail services*
- *the sale and/or supply of electricity outside of the national electricity market, and*
- *the sale and/or supply of reticulated liquid petroleum gas.*

What does the Inquiry cover?

- Water and Sewerage

Retailer	Water	Sewerage
SA Water (1)	750,000 connections (95%)	590,000 connections (76%)
Other (64)	8,000 connections (5%)	85,000 connections (24%)



Background, Context and Scope



What does the Inquiry cover?

- Electricity and Gas

Electricity	Connections
Off-grid (8)	5,000
SAPN	850,000

Gas	Connections
LPG (3)	3,500
AGN	636,000



What does the Inquiry cover?

- The markets for small-scale utility services have some similar characteristics:
 - **A single supplier** that operates in one or more isolated network and bills customers for those services.
 - **Low customer numbers**
 - **Limited choice** for customers

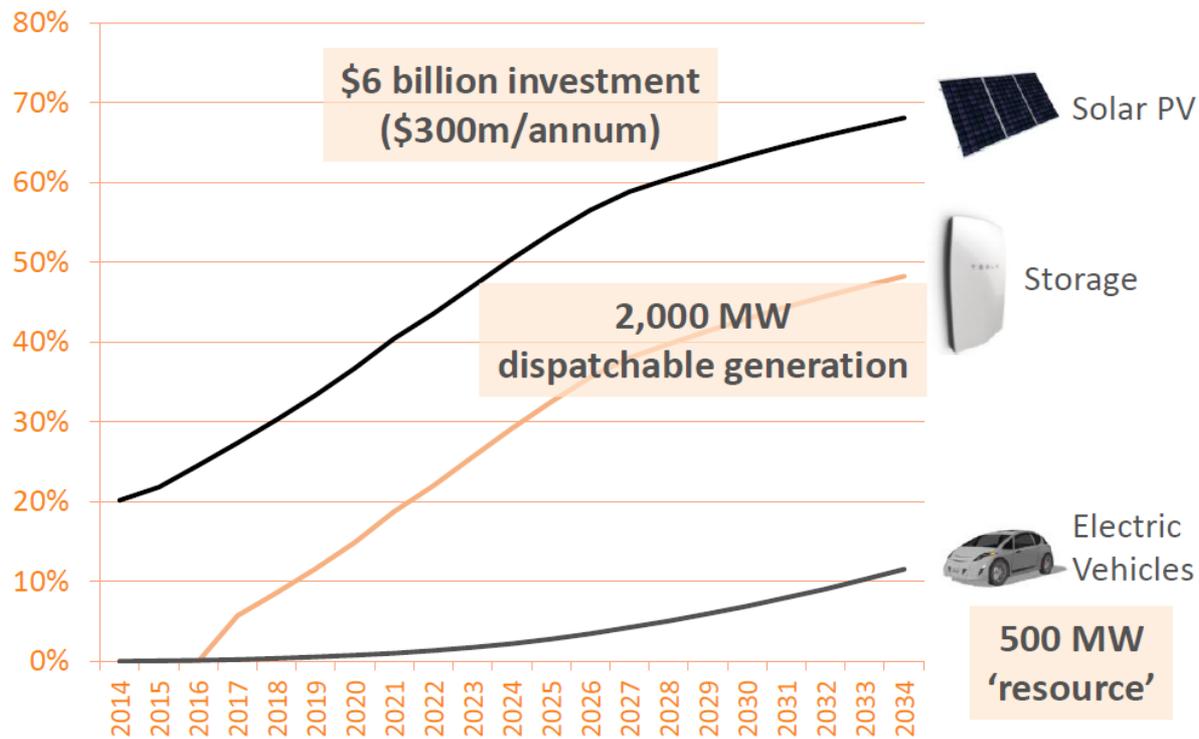
Why are we conducting this Inquiry?

- Recent and emerging developments, particularly in electricity.
 - ✓ **Potential scenarios** for stand-alone energy systems:
 - *Existing remote locations*
 - *Greenfield developments*
 - *Distributor-led transition from interconnected network*
 - *Brownfields/community led transition from interconnected network*
 - ✓ **Potential ownership models** for stand-alone energy systems:
 - *Landlord*
 - *Co-op*
 - *District*
 - *Municipal*
 - *Distribution Network Service Provider model*



Why are we conducting this Inquiry?

- Recent and emerging developments, particularly in electricity.



Source: SAPN, 2016

Why are we conducting this Inquiry?

- The regulatory framework should not create barriers to innovation and should ensure an adequate level of protection for consumers.
- Uncertainty is both problematic for potential consumers and a barrier to proponents.
- Small-scale water and sewerage framework due to expire 30 June 2017.
- Increasing number of small-scale providers of water, including recycling, integration with housing developments in recent years.
- Third Party Access in water and sewerage.

Overarching objective

To ensure the Commission's approach to regulation in the various markets is consistent with the Commission's primary statutory objective, and is proportionate and responsive to recent and emerging issues in these markets.

Framework

- Must have relevance for customers, licensees and exempted entities currently providing small-scale water, sewerage and energy services.
- Will be relevant in the context of new participants, business models and/or technologies which could deliver more effective and innovative outcomes for customers in the future.
- Regulatory arrangements must be targeted, efficient and appropriate.
- Must have relevance for customers and licensees (and exempted entities)
- Have regard to other relevant contextual matters.

Framework (cont.)

- Take an outcomes and risk-based approach, to develop targeted and proportionate consumer protections to apply in the future.
 - ✓ **Outcomes-based**
 - Focusing on what a well-functioning market would deliver. Not focusing on prescribing business inputs or outputs.
 - ✓ **Risk-based**
 - Promotes evidence-based solutions that focus on prioritising effort to achieve the most important regulatory outcomes.
 - Uses a risk assessment methodology to identify risks in meeting regulatory outcomes and develop appropriate risk-mitigation strategies.

Timeline



- **Issues Paper** August 2016
- **Submissions close** 30 September 2016
- **Draft Report** January 2017
- **Submissions close** February 2017
- **Final Report** June 2017
- **New arrangements** from July 2017

- Stakeholder input is integral to this Inquiry
- Issues Paper outlines key regulatory issues we see as important at this stage.
- There are fourteen questions that we are seeking feedback on, relating to three main areas we consider are important to a well-functioning market for the industries in scope of this Inquiry:
 - How satisfied are customers?
 - How well do suppliers understand the long-term costs of doing business?
 - Are suppliers pricing services to recover their long-term costs?

Question 1

- a) *What issues are current customers concerned about?*
- b) *Does our current regulatory framework allow suppliers the flexibility to respond to the issues raised by customers? What improvements are required?*
- c) *Where customers are not provided with a choice of supply arrangements, what information do they need to understand the service they receive?*
- d) *What are the appropriate indicators to allow us to monitor customer confidence, engagement and satisfaction in these markets?*

Question 2

- a) *Are there any difficulties for suppliers in setting prices to recover the long-term efficient costs of running their businesses? If so, how could our regulatory framework assist to address this issue?*
- b) *Are there any concerns that suppliers are over-recovering their long-term efficient costs? If so, how could our framework assist to address this issue?*

Question 3:

- a) *Does our current regulatory framework present any issues or challenges for new entrants offering new small-scale utility services? If so, how?*
- b) *Are there any new or emerging business models that will create a different relationship between suppliers and customers? If so, will this relationship create new financial, service reliability or other risks that customers need to be aware of when making their decisions?*
- c) *Where customers are provided with choice of supply arrangements, what information will they need to make informed decisions? Who should provide this?*

Question 4:

- a) How much does it cost for suppliers to comply with their obligations under our current regulatory framework?*
- b) Are there any areas where more than one regulator is seeking to deal with the same matter (regulatory overlap)?*
- c) Are there any areas where no regulator is dealing with a matter but should be (regulatory gap)?*
- d) Are there any emerging risks that we need to take into account?*

Question 5:

- a) Are there any other issues that we should consider as part of this Inquiry?*

How stakeholders can provide input

- Several opportunities for stakeholders to provide input into this Inquiry:
 - Submission to the Issues Paper
 - Online survey
 - Meetings
 - Submission to the Draft Report
 - Meetings



Q&A



- Questions?
- Clarification?
- Comments?

Close

