

# Small-scale networks inquiry



## Developing a proportionate and responsive regulatory framework

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

# Overview

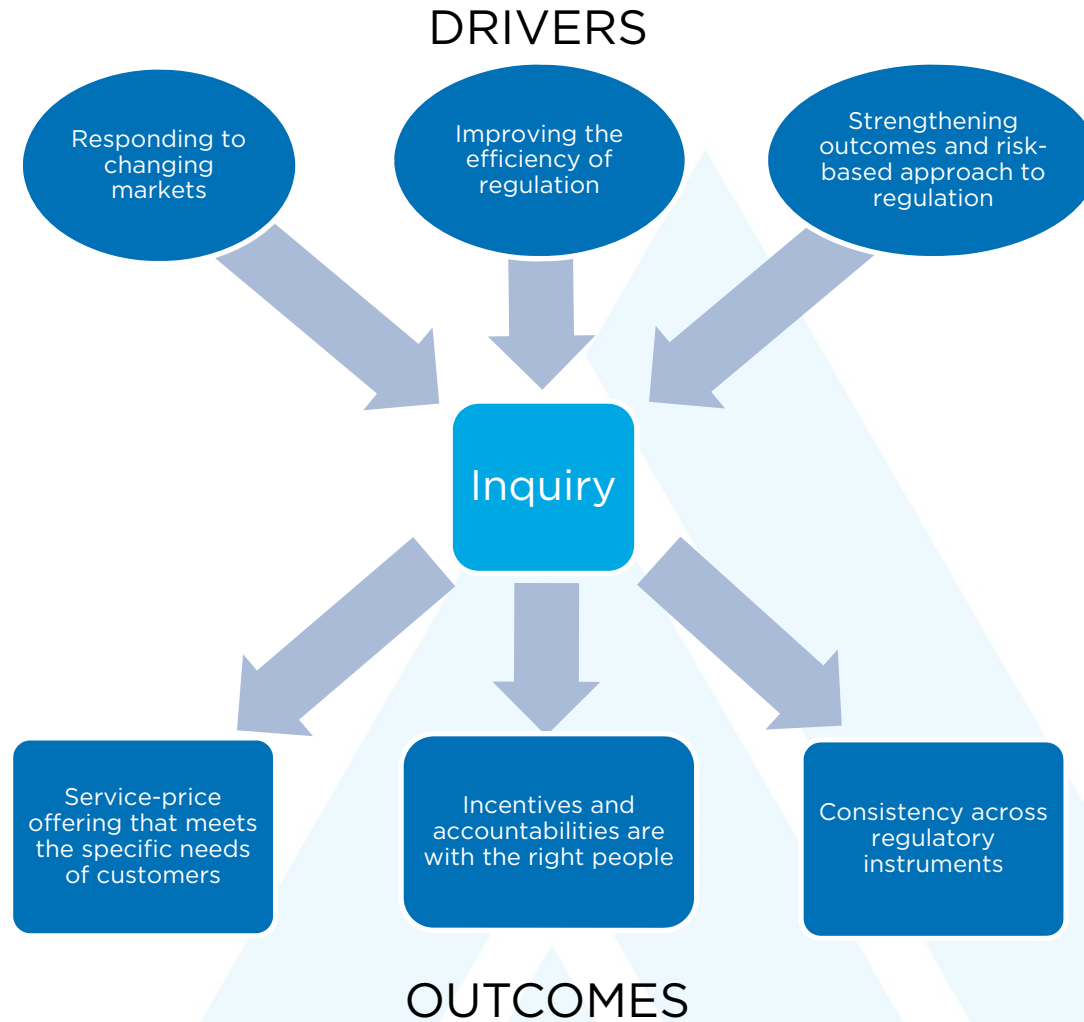


- ▶ Inquiry purpose
- ▶ Small-scale networks in South Australia
- ▶ Current regime
- ▶ Potential options for change
- ▶ Trust-Verify Model
- ▶ Better outcomes
- ▶ Examples
- ▶ We need to know your views

# The Inquiry



**Purpose**  
How can we help achieve the best outcomes for customers?

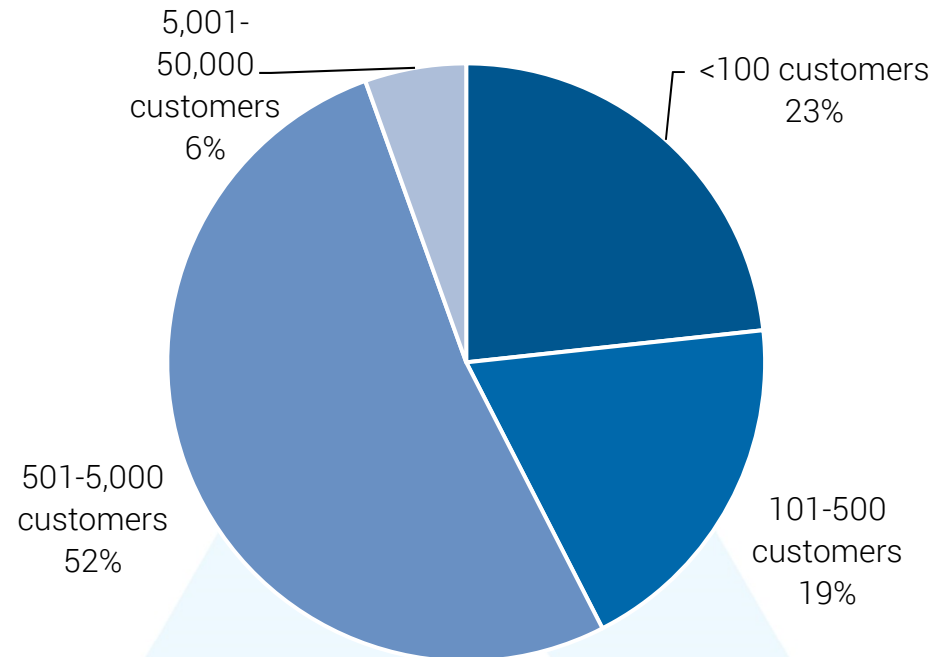


# Challenges of small-scale regulation



Diversity includes:

- ▶ size
- ▶ location
- ▶ assets
- ▶ business models
- ▶ ownership structures

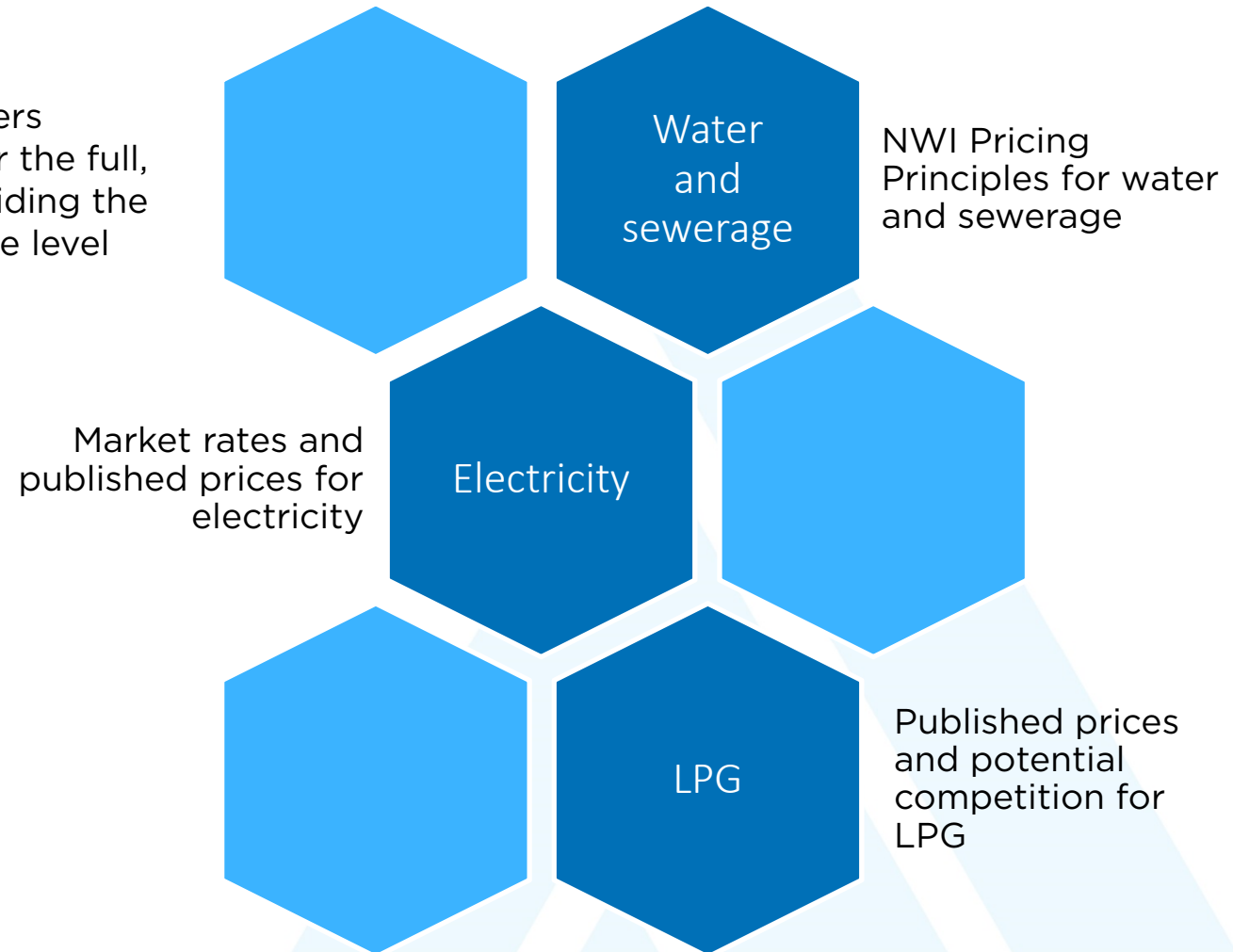


Small-scale networks by customer numbers

# The current regime - Pricing



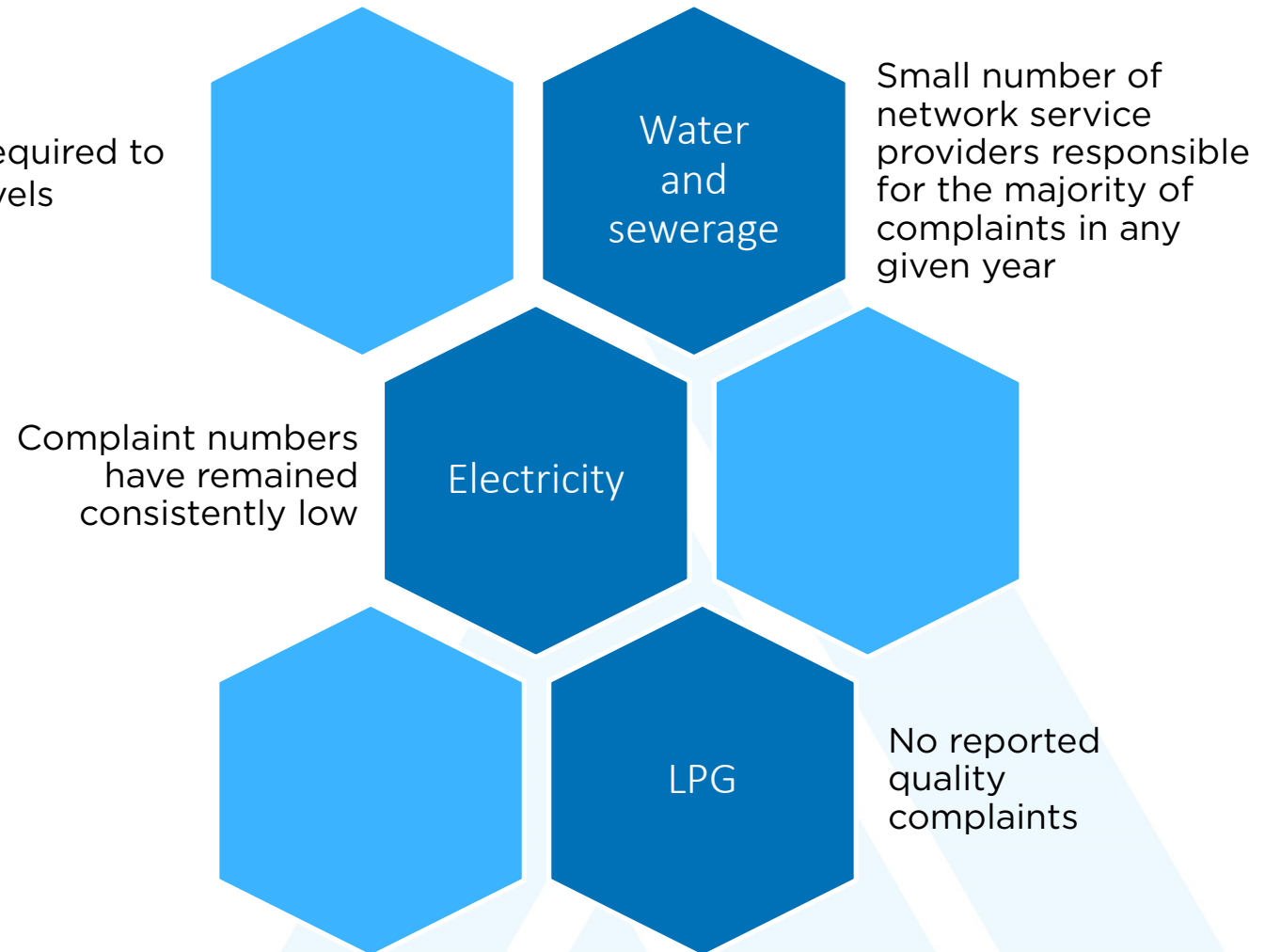
Ideally, service providers should seek to recover the full, efficient costs of providing the service at a sustainable level



# The current regime - Service levels



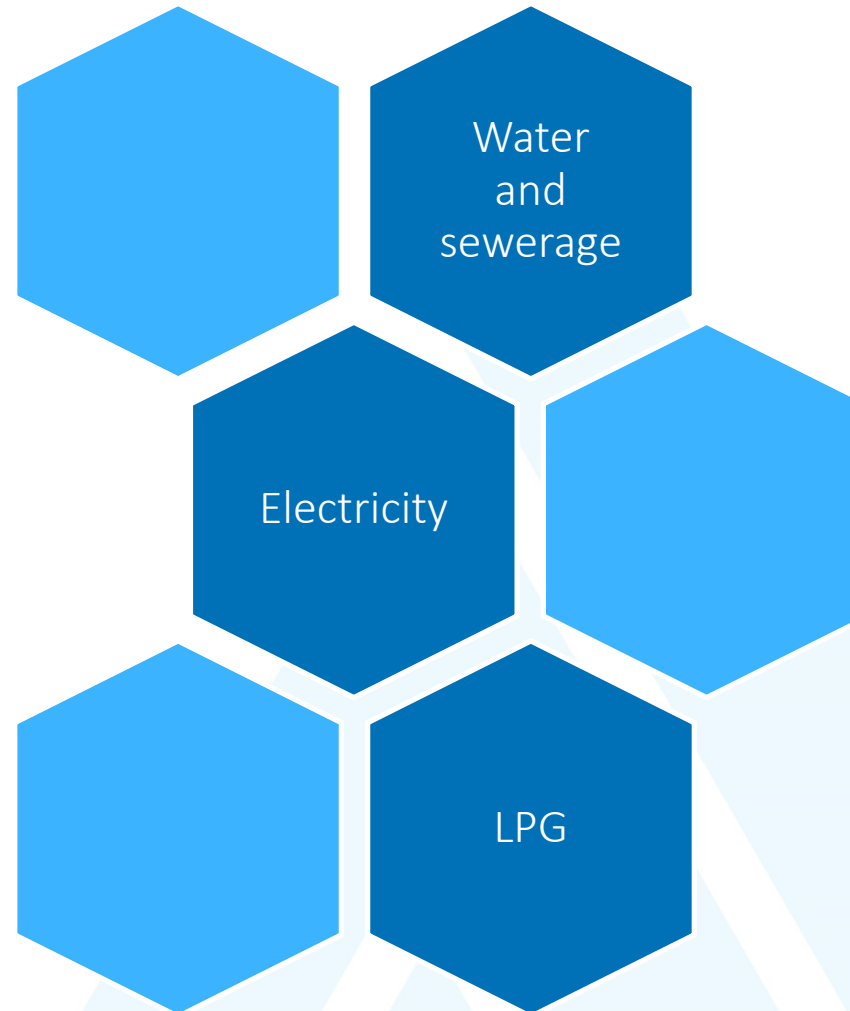
Service providers are required to meet certain service levels



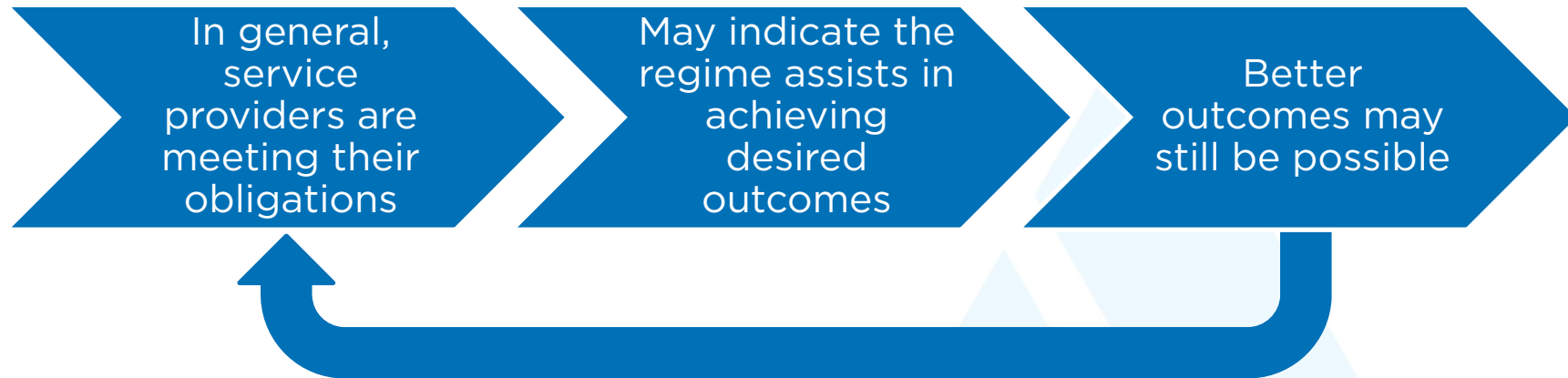
# The current regime - Dispute resolution



- Service providers must have enquiries, complaints and dispute resolution procedures
- External dispute resolution where issue can't be resolved internally
- External dispute resolution used:
  - the Energy and Water Ombudsman SA
  - Ombudsman SA, and
  - private independent dispute resolution bodies



# Is the current regime effective?



A less prescriptive, targeted approach may be possible starting with:

- ▶ Harmonising regulation within and between industries
- ▶ Reducing prescriptiveness of approach
- ▶ Consistent dispute resolution process



# Definitions



## Harmonisation

- aligning regulatory instruments
- add consistency between and within industries
- should not materially change the substance of the approach (eg obligations)

## Prescriptiveness

- highly prescriptive (eg price determinations)
- less prescriptive (eg outcomes focused)

# Potential options



**Option 1: do not change the regulatory regime**  
(reporting-compliance approach)

More prescriptive

**Option 2:** retain the reporting-compliance approach but harmonise between and within industries

Don't harmonise

Harmonise

**Option 3:** adopt a lighter-handed approach and retain existing regulatory instruments, with the potential for greater flexibility through time

Less prescriptive

**Option 4: trust-verify approach.** Harmonise regulatory instruments and reduce reporting-compliance requirements

# Option 4: Trust and Verify Model



## The Competent Operator

provides services that

- customers want
- are sustainable, and
- are priced accounting for customers' willingness to pay, legislative requirements and affordability.



# Example: Customers facing a price increase



## Competent operator

Drivers explained

Willingness to pay

Efficient prices

## Non-competent operator

No explanation

Customers not consulted

Pricing not understood

# Implementing the Trust-Verify model



Evidence of acting competently is gathered

Reduction in annual reporting

Evidence of good market outcomes

Commission evolves more light-handed approach

VERIFY

TRUST

VERIFY

TRUST

But has the capacity reinstate prescriptiveness at any time, to ensure appropriate customer protections

# Verify: Complaints



## The EWOSA scheme

- ▶ Ensures fair practice and effective dispute resolution, where service provider unable to resolve directly with customers
- ▶ Provides customers with a single avenue for unresolved complaints
- ▶ Important for analysing service provider behaviour

# Verify: Audits



- ▶ Carried out by the Commission
- ▶ Will not take place based on a defined timetable
- ▶ Findings published

# If trusted: Reduced reporting



## Annual reports

- Office holders
- Basic metrics (for example, customer numbers)
- Significant changes to operations, and
- Statement of assurance ensuring compliance with obligations

## The Commission would not publish annual performance reports

- Instead, it will publish the findings of audits and complaint data in some form



# Requires cultural change



## ▶ The Commission

- focus less on ‘reporting and compliance’
- focus more on context, auditing and market intelligence

## ▶ Service providers

- won’t be able to rely on a ‘reporting and compliance’ approach
- will need to proactively manage issues and customer expectations
- will bear the risk of not being considered to be operating competently

This requires active and collaborative relationships

# Better outcomes



Service-price offering that meets the specific needs of customers

- Through an active and collaborative relationship with customers

Incentives and accountabilities are with the right people

- Risk-based approach based on trust

Consistency across regulatory instruments

- Efficiencies through harmonisation

# Example: Metering Codes – inconsistent and too prescriptive?



| Regulatory instrument | Gas & Electricity Metering Codes   | Prepayment Meter System Code  | Water Retail Code – Minor & Intermediate Retailers  | Reticulated LPG Industry Code  |
|-----------------------|--|---|---|--|
| Application           | Could be read to apply to small-scale network operators  | Would apply to small-scale network operators wanting to use this technology   | Applies metering requirements to small-scale network operators  | Applies metering requirements to small-scale network operators   |
| Possible issues       | <ul style="list-style-type: none"> <li>Overly technical and prescriptive</li> <li>Based on the need to identify the energy purchased by individual operators in large-scale competitive markets with multiple parties</li> </ul> | <ul style="list-style-type: none"> <li>Overly technical and prescriptive</li> <li>Metering technology has changed and data tracking and monitoring is now more sophisticated</li> <li>The amount of 'emergency credit' for customers may not be sufficient to cover bills and is currently 'one-size-fits all' rather than specific to that customers' needs</li> </ul> | <ul style="list-style-type: none"> <li>Requirements only relevant to a small number of operators that provide metered services (ie drinking water or recycled water)</li> </ul> | <ul style="list-style-type: none"> <li>Overly technical and prescriptive</li> <li>Refers to various Australian Standards, Gas Regulations but also specifies 'minimum standards of accuracy' for meters in the Code</li> </ul> |

# Example: How could the Metering Codes change?



- ▶ Harmonisation
  - distilling the most important customer protections across industries
  - resulting in a more consistent experience and expectations for customers with multiple suppliers of essential services
  
- ▶ A reduction in prescriptiveness
  - clarifying what is necessary and proportionate
  - focusing on what needs to be achieved rather than how (outcomes-based)

# Next Steps



Consultation period, including the possibility of a dedicated reference group



Submissions close 20 Sept. 2019



Draft Report to be released early 2020



Final Report to be released mid 2020

# Further information



A copy of the Framework and Approach Paper can be found on Commission's website:

[www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)