



# Issues in the regulation of small-scale and isolated utility networks

## Developing a proportionate and responsive regulatory framework

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

# What is the purpose of this Inquiry?



## The purpose

We initiated this Inquiry to review our current regulatory frameworks for the small-scale and off-grid water, reticulated LPG and electricity industries.

We are seeking to identify where our current separate frameworks can be consolidated into a consistent set of protections for customers.

## The outcome we are seeking for customers

To ensure that customers who receive utility services from small-scale and off-grid networks receive appropriate and proportionate protections in their interactions with suppliers.

Greater consistency will:

- ▶ simplify customers' interactions with suppliers across industries, and
- ▶ be more efficient to administer, which will ultimately benefit customers.

There would be an indication that we were achieving this outcome through our regulatory framework where we see evidence that:

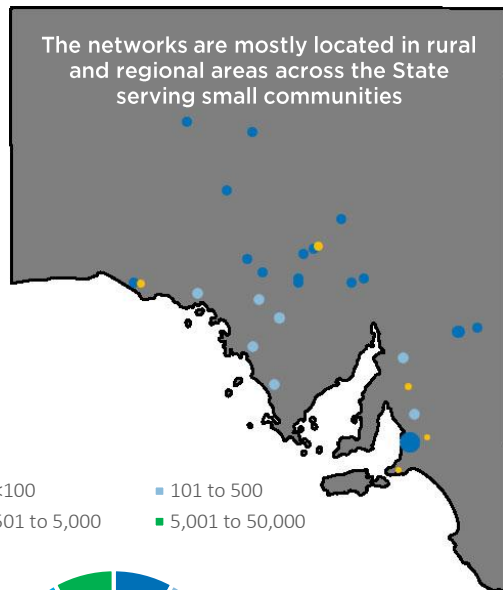
**Customers** have the confidence to engage with their suppliers and can access the services they value.

**Suppliers** understand the services valued by customers, the long-term efficient cost of providing those services and are setting prices to recover those costs.

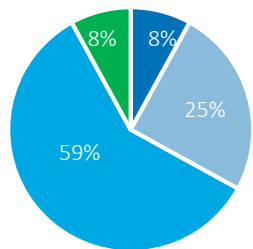
# What are the particular challenges to achieving good customer outcomes in these markets?



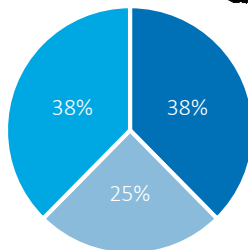
We currently regulate 78 entities providing services through small-scale and off-grid networks. This includes councils, small private operators and community associations. They are not connected to the National Electricity Market or the natural gas pipelines.



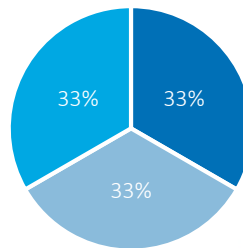
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Water and sewerage



Electricity



Reticulated LPG

Customers have one choice of supplier for each service, but they are likely to be dealing with different suppliers for each of those services. But are their expectations from suppliers in these markets broadly similar?

Most small-scale networks serve fewer than 1,500 customers. However, they need to manage many of the same safety, technical and environmental issues as larger networks.

Historically, some suppliers have set their prices in line with larger suppliers. This practice may not allow them to recover the costs of providing services to small remote communities.

They also have a small customer base to recover their costs. Investments can result in sudden price increases for customers. This can ultimately impact the ongoing viability of providing these services.

These factors make the conversation suppliers have with their communities about the cost/service trade-off extremely important.

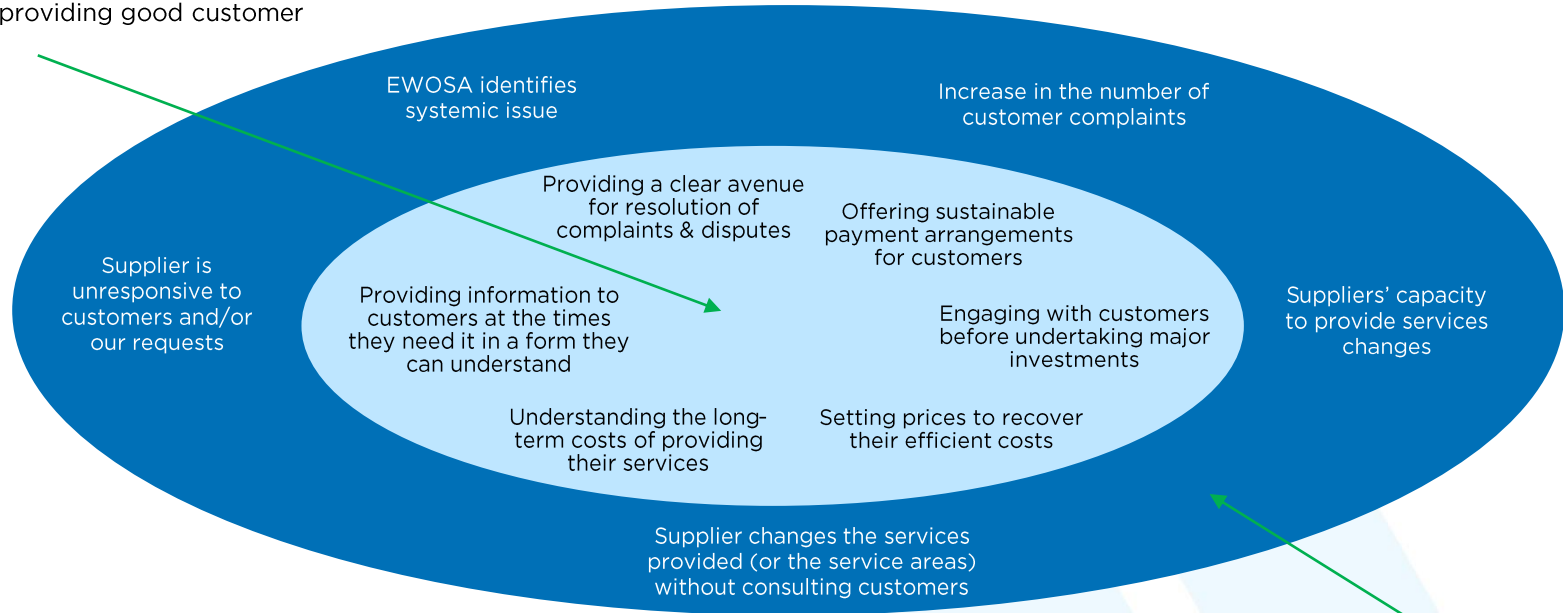
Having a small customer base does have its benefits. It provides suppliers with the opportunity to meaningfully engage with their customers and respond to their needs.

The need to serve small communities means that some new technologies and business models could provide customers with greater choice or improve the efficiency of suppliers' operations.

# What indicators will we be looking for as evidence that these markets are providing good customer outcomes?



Supplier behaviours that indicate the market is providing good customer outcomes



Indicators that the market may not be providing good customer outcomes

We will have a base level of consumer protections that we expect all suppliers to provide for customers. We will monitor these markets for indicators that our regulatory framework is providing good outcomes for customers.

Using a risk-based approach, we will be able to determine the appropriate level of oversight suppliers require to ensure they are providing these protections to customers. The level of oversight will be determined based on a supplier's ability and willingness to engage effectively with their customers and with us.