

17 October 2014

The Secretary
Committee on the Northern Territory's Energy Future
GPO Box 3721
Darwin NT 0801

Email: contef@nt.gov.au

Dear Secretary,

RE: Inquiry into Electricity Pricing Options

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Committee on the Northern Territory's Energy Future (the Committee) inquiry into electricity pricing options (**the Inquiry**).

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

The ERAA views the recent regulatory reform to structurally separate Power and Water Corporation (PWC) into three separate entities representing network, retail and generation as an important reform for the Northern Territory. This reform is an important precursor to facilitate increased retail competition and retail pricing reforms following the introduction of Full Retail Contestability in 2010. A sustainable Northern Territory electricity retail market will require effective retail competition to be implemented.

Enhancing Retail Competition

The ERAA supports initiatives to increase competition in the Northern Territory as competitive market forces facilitate innovation and provide improved value for customers through a variety of products. Innovative technology such as smart meters, in-home displays, smart phone applications and online billing options are all driven by the competitive market. Competition also ensures that retailers have incentives to improve their efficiency and provide better service to customers.

Retailers require access to competitive wholesale prices through an open and transparent market. The proposed establishment of a wholesale market exchange or pool for the Darwin-Katherine region, which is similar to the NEM pool is an important development. The present arrangement of one monopoly generator creates significant risk for retailers which has discouraged market entry.

It would be also worthwhile developing a framework that will allow for the opportunity for the Northern Territory to transition to the NEM pool market at some point in the future.

The ERAA has always advocated for a national approach to energy policy and regulation rather than individual state based initiatives. Legislative and regulatory inconsistencies across state borders increase administrative and compliance costs for energy retailers.



As retailers operate across multiple jurisdictions, the proposed introduction of the National Energy Customer Framework (NECF) in the Northern Territory from 1 July 2015¹ will not only provide for operational efficiencies through jurisdictional consistencies, but will also encourage new entrants, operating in multiple jurisdictions, to enter the Northern Territory. NECF also imposes on retailers comprehensive obligations to provide customers in payment difficulties with access to alternative payment arrangements and hardship programs.

Retail price deregulation

The ERAA has consistently advocated for deregulation of the retail energy market to drive the best outcomes for consumers. Open, competitive energy markets free from distortions such as retail price regulation naturally encourage prices to be efficient through the development of market offers.

Competition in retail energy markets, as in other sectors of the Australian economy, incentivises businesses to improve service, develop products that meet consumer needs and find ways to lower their costs and to pass these savings onto consumers. Price regulation is an oddity in the Australian economy as it doesn't apply to almost all other contestable goods and services such as food, fuel, telecommunications, insurance and housing. It is important to note that NECF was designed to be implemented in markets with deregulated energy prices.

The introduction of retail price deregulation in the Northern Territory following the establishment of effective retail competition would follow the path of other jurisdictions in the NEM.

Uniform tariff community service obligation

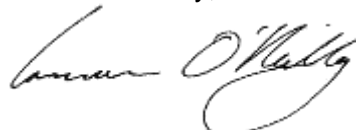
The administration of the uniform tariff community service obligation community (CSO) will change due to the disaggregation of PWC². The ERAA's view is that this obligation should be administered by PowerWater as the distribution network business in the Northern Territory. This structure is the most cost effective approach and also supports market entry by retailers as they would not be required to update their individual systems for the CSO. This approach would also be consistent with other jurisdictions in the NEM.

Feed-in-Tariffs

The ERAA views deregulated markets as best placed to determine the most appropriate, sustainable and economical value for the electricity that is produced and exported by photovoltaic (PV) units. Just as the deregulated in other energy markets provides customers with choice in energy offers, a deregulated market for Feed-in Tariffs (FiTs) allows energy retailers to compete to purchase the electricity exported from PV units.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,



Cameron O'Reilly
CEO
Energy Retailers Association of Australia

¹ Northern Territory Electricity Market Reform information paper February 2014, p.9

² Ibid, p.9