



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

12th Assembly

Committee on the Northern Territory's Energy Future

Private Hearing Transcript

10.45 am – 11.45 am, Friday, 27 March 2015

Litchfield Room, Level 3, Parliament House

Hon Gary Higgins, MLA, Chair, Member for Daly

Mr Gerry Wood, MLA, Deputy Chair, Member for Nelson

Members: Mr Francis Kurrupuwu, MLA, Member for Arafura

Mr Gerry McCarthy, MLA, Member for Barkly

Ms Nicole Manison, MLA, Member for Wanguri

Apologies: Mr Matthew Conlan, MLA, Member for Greathorn

Department of Treasury and Finance

Jodie Ryan: Under Treasurer

Witnesses: Craig Graham: Assisting Under Treasurer

Samantha Byrne: Senior Director Economic Policy

The committee convened at 10.45am.

Mr CHAIR: On behalf of the committee I welcome everyone to this public hearing into electricity pricing options. I welcome to the table to give evidence to the committee from the department Jodie Ryan, the Under Treasurer; Craig Graham, the Assistant Under Treasurer; and Samantha Byrne, the Senior Director Economic Policy. Thank you for coming today before the committee. We appreciate you taking the time to speak to the committee and look forward to hearing from you.

This is a formal proceeding of the committee and the protection of parliamentary privilege and the obligations not to mislead the committee apply. This is a public hearing being webcast through the Assembly's website. A transcript will be made for use of the committee and may be put on the committee's website. If, at any time during the hearing, you are concerned that what you will say should not be made public you may ask that the committee go into a closed session and take your evidence in private.

I ask each witness to state their name for the record and the capacity in which they appear. I will then ask you make a brief opening statement before proceeding to the committee's questions. Could you please each state your name and the capacity in which you are appearing.

Ms RYAN: Jodie Ryan, Under Treasurer.

Mr GRAHAM: Craig Graham, Assistant Under Treasurer.

Ms BYRNE: Samantha Byrne, Senior Director Economic Policy.

Mr CHAIR: Thank you for that. Jodie, would you like to make an opening statement.

Ms RYAN: I have some opening remarks, then I will pass to these two to answer the technical questions.

Thank you for the opportunity for making the opening statement. Obviously we are here to discuss the issue of electricity pricing, and that is just one aspect of the broader electricity reforms we currently have under way in the Northern Territory.

I thought it would be useful for the committee if I provide some background to what the Territory's electricity program is and why we are undertaking it. Since 2000 there have been a number of market and regulatory reforms that have been undertaken to put in place effective incentives for the efficient and reliable provision of electricity services in the Northern Territory.

In September 2013 the government approved a broad-ranging utilities market reform program which consisted of two main streams, which I think we have spoken about before. One of those was the structural separation of Power and Water Corporation's monopoly in contestable businesses into three separate government-owned corporations. That is now PWC, Jacana Energy and Territory Generation.

The other component of the stream of the reforms was the regulatory reform which includes the introduction of the wholesale electricity market arrangements that are suitable for the Territory, and the adoption of the national electricity laws and rules. Together, these reforms seek to promote competition and efficiency in the Territory electricity market and also to align us with the national electricity regulatory arrangements.

Given that the Treasurer is responsible for the economic regulation of the electricity supply industry, Treasury's focus has been on the regulatory side of that reform. We have been involved, to some extent, in the structural separation, but our focus has been on regulatory reform.

With regard to structural separation, that commenced on 1 July 2014 when Territory Generation and Jacana Energy commenced operations, along with PWC. Over the last nine months they have been operating as separated entities, and each of the corporations have been able to concentrate on their own business and look at their individual lines of business. They have all been focused on identifying efficiencies they can improve, as well as improve transparency. As far as we are concerned, this is a major aspect of increasing competition and improving effectiveness of the system.

In regard to the Treasury's focus, one of the impediments we have had to competition in the electricity generation and retail sectors is the lack of the wholesale market arrangements in the Northern Territory. These arrangements exist elsewhere in the national electricity market - the NEM you will hear us talk about.

The design and implementation of a wholesale electricity market has been a significant aspect of the Territory's electricity reform program. The market will address barriers to competition by allowing generators and retailers to trade electricity through an independent market operator, rather than requiring bilateral contracting for terms of three to five years.

The government is committed to an interim wholesale market being in place in the first instance which will serve as a transition path to the full market. We will very shortly be implementing that interim wholesale electricity market.

Once we have the interim market in place we will review the learnings from the design development and implementation of that market, including stakeholder capabilities and feedback, and consider what arrangements are needed along with the expected cost benefits of moving to a full Northern Territory electricity market in the future.

Another aspect of the reforms is the transfer of the electricity network regulation to the Australian Energy Regulator. This component of the reform program seeks to address concerns that potential entrants to the Territory market have about both real differences and perceived differences between the Territory's regulatory regime and the national one.

The adoption of relevant parts of the national electricity laws and rules will encourage greater third-party access to PWC's networks because potential applicants will be more familiar and more comfortable with the national laws and rules which operate in the NEM. They will also see the AER taking over regulation of the Power and Water Corporation's networks from the Utilities Commission.

The implementing legislation to enable the AER to take over from the Utilities Commission as regulator was introduced in parliament which was this week. It provides for a staged approach to full adoption of the national electricity laws and rules with modifications for Territory circumstances.

In regard to the electricity retail market, we would probably need to consider the structure of the Territory's electricity retail market. Full retail competition in the electricity sector commenced in the Territory in April 2010 AND from that time Territorians were free to choose who their electricity retailer was.

We now have three retailers in the market, Jacana Energy and another two, but Jacana Energy remains the dominant player and is the sole supplier of electricity to customers in the residential and small business sectors. The reason for that is because the current regulated retail tariff able to be charged to these customers under the pricing orders is below the cost reflective tariff. The government's community service obligation subsidises that gap. Because there is a subsidy it is not commercial viable for other retailers to compete at this stage.

Currently the Treasurer, as the minister responsible for regulation of the electricity supply industry, determines regulated retail electricity tariffs for households and small- and medium-sized customers under the *Electricity Reform Act*.

A uniform tariff policy applies for utility services in the Territory. That is, small and medium electricity customers pay the same retail tariffs regardless of cost of supply and location sorry.

The subsidy paid to Jacana Energy in support of this policy is in the form of a CSO, and that partially funds a shortfall between the regulated and the cost reflective tariff. However, large electricity customers do pay commercial tariffs and these they negotiate with an electricity retailer.

Mr WOOD: What is the amount of the CSO?

Ms RYAN: The amount? I think it is heading towards \$70m - might be 65. We are in the middle of doing all the budget numbers so I do not have the latest number.

Mr WOOD: Roughly will do.

Ms RYAN: Yes, mid-sixties. That is the CSO we pay for electricity, water and sewerage at the moment.

Mr WOOD: Are you roughly able to say what it would be for electricity?

Ms RYAN: Not off the top of my head, no.

Ms BYRNE: It is about 59.

Ms RYAN: Is it about \$59m, there you go.

Mr WOOD: Most of it is electricity?

Ms RYAN: Yes, definitely. Water and sewerage is \$10m to \$15m, but it is part of the things we are working through now.

There are some good policy grounds for considering a number of changes to the current retail price regulation arrangements in the Territory, and the government is committed to a number of retail market reform options. These options include ceasing the retail price regulation subsidies and opening up segments of the market to more effective retail competition which is currently not possible while the tariffs remain regulated and subsidised.

Another option is to reduce Jacana Energy's effective monopoly over residential and small business customers by delivering the uniform tariff CSO payment of rebates directly to end-users or through licensed retailers rather than indirectly through payments solely to Jacana Energy.

We can also look at independent regulation of retail prices based on nationally recognised best practice retail price regulation principles and methodology. We could also look at introducing standard supply contracts for residential and small business customers paying regulated retail tariffs, which set the default tariff and terms and conditions and with customers free to negotiate an alternative market contract with an electricity retailer where they find that beneficial.

Basically, the package of reforms we have under way are quite extensive. It is important to note that the reform of the Territory electricity market will not happen overnight. It is acknowledged that electricity reform is a lengthy and complex process. We have seen this by what has happened in other jurisdictions in the development of the national electricity market which commenced in the 1990s and is still evolving.

The challenge for the Territory is that it has its own unique set of issues. It is vital that we consider the reform processes undertaken in other jurisdictions, including what worked well and what did not. We need to think of that in the context of the Territory's unique situation before we commit to reforms that may not deliver a net benefit to Territorians over the long term. That is always our aim: will these changes deliver a benefit to Territorians?

While the Territory remains a small electricity market compared to other jurisdictions, new investors are taking notice of the Territory's achievements in its electricity reform program. It is Treasury's view that regulatory and structural reform remain essential to achieving an efficient electricity market. Thank you.

Mr WOOD: Could I just follow on from that? We have a \$59m subsidy of our electricity ...

Ms RYAN: Sorry, that is just to Jacana. We also have the subsidy that is paid directly to Indigenous Essential Services for remote.

Mr WOOD: If we took the Indigenous Essential Services out of it - if we completely remove that subsidy - have you any idea how much electricity would go up?

Ms RYAN: No, I do not think we have done that work. We are in the processes of working through what it costs to supply that electricity, looking at what it costs Power and Water, TGen and Jacana. We are not entirely 100% sure what that gap is. At the moment, the CSO is \$59m but it could potentially be more or less - probably more. We are working through that now. That is part of the structural reform process to get that kind of information from the three entities.

Mr WOOD: It might sound funny, but after all these years of running our electricity, you are saying we do not know how much it really costs to provide power?

Ms RYAN: Because it was a fully integrated monopoly there was a lot of cross-subsidisation between the bits of the business. What we are trying to do is remove all that cross-subsidisation and identify the true cost of delivering power.

I should clarify you have different markets. You said you are not including IES. We have the Darwin/Katherine market which is different to the Tennant Creek and Alice Springs market.

Mr GRAHAM: So, previously CSO was just calculated at an aggregate level. As Jodi said, there was not a real lot of transparency around how those costs were allocated across the three parts of Power and Water. Now we have three separate businesses, we can now look at what the costs of each part of the supply chain are, and how those costs are allocated across the businesses and across different regions of the Northern Territory.

Mr WOOD: Does that mean you would be looking at changing the flat tariff, if I can call it that, across the Territory?

Ms RYAN: No.

Mr WOOD: So Tennant Creek might pay more than Katherine?

Ms RYAN: No.

Mr GRAHAM: That is not being considered. It is more just how that CSO contributes to equalising the tariff across the different regions of the Northern Territory.

Ms RYAN: At the moment we have one CSO for the whole of the Northern Territory. We would be looking at a CSO for the different regions. The Uniform Tariff Policy states - but we know the subsidy for Alice Springs will be higher than that for the Darwin/Katherine market.

Mr WOOD: But the total subsidy is still there? I do not know whether it is your policy or government policy, but are you looking to see what would it cost consumers if they had to pay full cost?

Mr GRAHAM: That would be an outcome of the work we are doing - that the difference between the cost-reflective tariff is for different regions and what the subsidised tariff is.

Mr WOOD: Can you also say whether you include in your costs the gas we cannot sell at the moment, which we are paying for? It is there as part of the overall cost to government. Would that be included as something that should be really taken into account?

Ms RYAN: Certainly in the transportation costs, Territory Generation will be paying those. In the liability we are accruing, I do not think that would be picked up.

Mr WOOD: There is a liability is there not – quite a considerable one?

Ms RYAN: It is growing, yes.

Mr GRAHAM: It is certainly a contingent liability that is on the government's books.

Mr McCARTHY: While we are on community service obligations, what is it for Indigenous Essential Services?

Ms RYAN: That is also \$70m at the moment.

Ms BYRNE: \$73m.

Ms RYAN: \$73m now.

Mr McCARTHY: For the same breakdown in relation to power, water and sewerage, is power the main component of that?

Ms RYAN: It would be, yes. IES is slightly different in that we pay one big grant - the Department of Local Government and Community Services pays the grant and it is for repairs and maintenance to the assets, minor new works, capital for new assets, for staffing costs and to subsidise the electricity, water and sewerage costs. It is one big number given

to IES to help them run their operations. They use that CSO plus any revenue they get to run their operations.

Ms MANISON: Do you have a breakdown of the CSO towards power, water and sewerage?

Ms RYAN: For IES?

Ms MANISON: Yes.

Ms RYAN: No.

Mr McCARTHY: Are saying that a community service obligation could be a lever to deliver improved pricing by paying it in a different format than it is now?

Ms RYAN: No, it would be to improve competition. At the moment Jacana only gets that CSO for residential and small business customers. When we work out the CSO we can allocate that to a customer, so if another retailer was to pick up some residential customers they could, in theory, get the CSO attributed to those customers.

Mr GRAHAM: At the moment the subsidy is only paid to one retailer, which makes it very difficult for other retailers to access that part of the market because the tariffs are set below the costs of supply. We are working on options to make that subsidy available to all customers. Whether it is paid directly to the customer or to the retailer regardless of who that retailer is, that would encourage competition in that sector of the market. They are the options we are working through as part of the reform package.

Mr McCARTHY: Yes. Thank you.

Mr CHAIR: Given the objectives of the government's electricity market reform package, are we giving any consideration to the appointment of an independent regulator in the retail market?

Ms RYAN: We have an independent regulator of networks – the Utilities Commission.

Mr GRAHAM: We have an independent economic regulator now, but at the moment the regulatory minister is responsible for determining regulated retail tariffs. The minister can seek the advice of the Commission at the moment under our legislation but it is not mandatory. This is at odds with the arrangements in other states where regulators either determine or recommend regulated prices. In those states which still regulate prices, some of the larger states are moving away from all forms of regulation.

Mr CHAIR: To encourage retail competition in developing markets in 2013, the Standing Council on Energy and Resources tasked the Australian Energy Market Commission with development of an efficient nationally consistent and stable method of setting regulated retail prices. What consideration has been given to incorporating any of the recommendations from the AEMC advice on best practice retail price methodology into the NT retail price determination process?

Mr GRAHAM: We are certainly looking at those principles. Those principles were developed for the national electricity market, which is somewhat different to ours. It is many times larger and has lots of competing generators and retailers. However, we are looking at those principles and where we can apply them. Where it makes sense to adopt them for the Northern Territory we will look at taking them on board.

Mr CHAIR: The AEMC suggests that regulated retail prices should be based on a building block approach and set for a three-year determination period with annual reviews and costs passed through provisions. Can you clarify for the committee the timing and form of the NT's retail price determination process?

Mr GRAHAM: I think under the program it is 1 July 2017. Is that right?

Ms BYRNE: Did you ask about the timing of the retail price determination process?

Mr CHAIR: Yes.

Ms BYRNE: The process currently in place? What is in place now?

Mr GRAHAM: Sorry. Currently. The current pricing order expires 1 January next year. There will need to be a new pricing order issued before then.

Mr CHAIR: Also why there is currently no provisions for cost path throughs.

Mr GRAHAM: There is. A pricing order can be issued at any time in order to pass through costs if needed. That is what applied under the carbon tax arrangements where pricing orders were issued in order to either pass through a carbon tax increase or to remove the effect of the carbon tax when it was abolished.

Mr WOOD: Not having heard that term before, what does it exactly mean? It means moving a cost?

Mr GRAHAM: If there is a cost increase, say through a tax or something which was not anticipated at the time the pricing order was issued, and the intent of that increase in price is for it to be ultimately borne by consumers, then the pricing order can be amended to make sure that is passed through to the end user.

Mr WOOD: Right.

Mr CHAIR: Can you also let me know if there is form of headroom included in the regulated retail price to facilitate competition?

Mr GRAHAM: No, because our regulator tariffs are set by the cost of supply. That is a concept that applies in the national electricity market where retail prices are regulated at levels which are deemed to be equal to the cost of supply, so they would build in a headroom component into that to allow retailers to come in a compete and offer lower or discounted prices.

In our market, we set regulated tariffs at below the cost of supply so there is no headroom component in there. Which is why it is important for us to come up with options to make our subsidy contestable or available to other retailers.

Mr CHAIR: So we get competition in the retail?

Mr GRAHAM: Yes.

Mr WOOD: I am a bit confused. If there is no headroom because we are below the tariff - is that right?

Mr GRAHAM: Yes.

Ms RYAN: Yes.

Mr WOOD: Then how do you get competition in the retail market if there is no headroom?

Mr GRAHAM: By making the subsidy available to other retailers. Other retailers can access the subsidy ...

Mr WOOD: Yes, what you were talking about before?

Mr GRAHAM: Yes.

Mr WOOD: Okay. So we use the CSO as the means to get competition?

Mr GRAHAM: Yes.

Ms RYAN: Yes.

Mr WOOD: Thanks.

Mr CHAIR: We understand that electricity retail prices are largely influenced by wholesaler energy cost. What method is currently used to determine the wholesale energy component in the final retail price?

Mr GRAHAM: This why we are moving towards implementing a wholesale market, so there is greater transparency around what market prices at the wholesale level are. Also one of the reasons why we have taken structural separations is the costs of generation can be more closely attributed to the generation of business. Once those initiatives are in place - structural separation and a wholesale market - then we can move to a more effective building blocks-type model to determine wholesale prices, and then from that, the retail price.

Mr CHAIR: What is the timing around that?

Mr GRAHAM: The interim wholesale market is scheduled to start at the end of April, and structural separation is under way.

Mr McCARTHY: Do you think it is feasible to use that community service obligation lever in the bush around the delivery of essential services?

Mr GRAHAM: To facilitate competition you mean?

Mr McCARTHY: Yes, to bring anybody in who may be interested in that model?

Mr GRAHAM: The model that operates there is like a purchaser/provider model. At the moment the Department of Local Government and Regional Services is the purchaser. Power and Water is the provider. If government wanted to facilitate competition, it could be done through a competitive bidding process rather than just automatically stipulating that Power and Water is the service provider. They could put that through a competitive procurement process if they wished to do so. That way you could facilitate some competition for services for delivery in remote areas.

Mr McCARTHY: It must be difficult in the Territory in population size. The numbers and equations you are working on for the Darwin/Katherine grid, for instance, must be very challenging already?

Mr GRAHAM: Yes.

Mr McCARTHY: So the bush would be extremely challenging?

Mr GRAHAM: Yes.

Mr McCARTHY: Thank you.

Mr CHAIR: One of the things we have heard is for Jacana to extend or offer different options on how it does pricing related to smart metering. Has there been any consideration given to the introduction of these meters or mandating their installation?

Mr GRAHAM: Over the years through the national – the COAG Energy Council - there have been initiatives to look at ways smart meters can be more widely distributed across the country and not just for large customers, but to household customers as well. Victoria went down the path of mandating their roll-out, and some studies and research done recently suggest that was maybe not the ultimate way to do it.

For us, we get back to this issue of scale. Rolling out and implementing smart meters or interval meters for all customers involves significant costs. Given that we have a small market it is not evident that the benefits would outweigh those costs, and there has been work done in the past which suggested that the costs would outweigh the benefits. However, over time as the technology develops the cost of smart meters is falling so it is possible that at some point in the future that equation would change and it would be beneficial. I understand at the moment all customers have the option of installing an interval meter if they wish, and I think Jacana offer that option.

Mr CHAIR: I think it is more the cost of doing it and problems with that.

Mr GRAHAM: Yes.

Mr CHAIR: One of the other things that came up with this - the committee knows I have a very high interest in solar and feed-in tariffs and smart meters - the feed-in tariff was set about 10 years ago and it seems to me that is a bit out of step. If you go to smart metering and time of use, has anyone looked at that feed-in tariff rate? What will we do with it? For Jacana to start manipulating its pricing, it becomes pretty hard if you still have this feed-in tariff rate fixed.

Mr GRAHAM: Yes. At the moment there is no formal government feed-in tariff policy. I think it is fair to say in the past there has been a reliance on national renewable energy climate change policy initiatives to drive the take up of renewable energy in the Northern Territory through the renewable energy target and various initiatives. That has been seen as a way to encourage retailers, and it has really been Power and Water retail until recently to adopt feed-in tariffs as a commercial principle or a commercial measure. That has been the historical driver for their feed-in tariff.

Again, nationally there has been a range of issues with feed-in tariffs and some states – well, I think most states have reformed their feed-in tariff arrangements because it has had some undesirable consequences in the impact on electricity network costs and prices. Whilst people who have installed PV panels and fed electricity into the network have benefited, those who have not installed PV panels have largely worn the costs. There are issues around how equitable that has been and the fact now that network service providers are left in a situation where they have a shrinking pool of customers to recover their fixed costs from.

That is presenting some challenges at the national level. If government was to consider doing something here those issues would need to be taken into account.

Mr CHAIR: Who do you think in government should be looking at that? Should it be Treasury? Should it be Mines and Energy and their renewable energy directorate? The minister? Who?

Ms RYAN: Probably the energy directorate we would have thought.

Mr CHAIR: Yes.

Mr GRAHAM: Our focus is primarily the economic regulation of the industry. That is the Treasurer's responsibility as well as the shareholder minister for the three government-owned utilities.

Ms RYAN: But retailers can operate in this way. They can make these decisions themselves as well, they do not need government to make a policy decision. We have three retailers they could choose.

Mr WOOD: Could Power and Water, which is the network owners, send out a bill to Jacana for the people who put solar power through their network now, without a policy decision?

Mr GRAHAM: I do not know whether that would be provided for under the regulator's determination because network services are regulated. It is possible they could do that outside of the regulatory determination. I do not know whether we could take that on board.

Mr WOOD: At the moment I subsidise Mr Higgins?

Mr GRAHAM: Yes.

Mr WOOD: If Power and Water does not do it, I will send him a bill.

Mr CHAIR: I will move to one down here, being the senior person. What role does Treasury and Finance have in determining the level of funding provided for electricity concessions? Can you give me a bit of a ...

Ms RYAN: The electricity pension concessions are run by the Department of Health. It is a program and policy that belongs to Department of Health and they manage that. Treasury's role is as with any funding submission. Where submissions go to Cabinet for more money or to change the policy, Treasury will provide advice on that. Ours is more the usual Treasury advisory role, no role in regard to determining what the concession is.

Mr CHAIR: Or what other concessions might be made available? It is purely up to your department to come up with a better suggestion.

Ms RYAN: Yes.

Mr CHAIR: Right. The 2014 information paper on electricity market reform noted that with the abolition of Power and Water Corporation's effective monopoly over residential and small business customers, a range of options exist for the delivery of a uniform tariff community service obligation. The Energy Retailers Association of Australia has suggested that the administration of the CSO should remain with Power and Water as the distribution network in the Northern Territory since this is the most cost-effective approach. It supports market entry

by retailers as they would not be required to update their individual systems for the CSOs and is consistent with other jurisdictions in the NEM. Is this a valid argument?

Mr GRAHAM: It is an option we are looking at. All of the options for administering that CSO involve costs. With that particular option there is an issue around making sure if the customers who are the intended recipients of the subsidy receive it. There is no scope for cross-subsidies being built into that arrangement. I guess that is a consideration in that particular option. It is one of the options that is on the table and one of the ones we are looking at.

Mr CHAIR: What are the other options, if you could say?

Ms RYAN: The ones we have talked about basically. We have said we could give the CSO to a retailer or we can allocate. We will allocate it by customer and you could potentially give it to each customer.

Mr GRAHAM: You could pay it directly to the customer ...

Ms RYAN: Which would be tricky.

Mr GRAHAM: ... or connect the subsidy to the customer and make sure they receive it regardless of who their retailer is. But they are all costly. Someone has to administer it so, yes, it is just a means of making sure we understand what the costs are. I guess ...

Ms RYAN: Make sure the benefits go to the right people.

Mr GRAHAM: Yes, make sure the people who are the intended recipients of that subsidy receive it and get the benefit from it.

Mr WOOD: How would that go with rental properties? You might give the subsidy to the landlord and the person who is renting the block might be paying ...

Ms RYAN: For water particularly?

Mr WOOD: Yes. How would you ...

Mr GRAHAM: Those sorts of issues are there now. Yes, they are all factors that need to be considered. The option of paying it to a single network provider is attractive from a cost perspective, but it is making sure that subsidy is then passed on.

Mr CHAIR: Any other questions? Gerry?

Mr McCARTHY: Probably a very general question, have you commenced any analysis of connecting the Territory to the national grid via a gas pipeline, and the potential revenue streams that could generate?

Ms RYAN: Are you talking about just the gas pipeline or connecting poles and wires?

Mr McCARTHY: No just the gas pipeline, selling gas to the east coast.

Ms RYAN: That process is under way. The Department of the Chief Minister is running a process looking at pipelines that could connect to either Queensland or down south.

Mr McCARTHY: Is there any analysis of revenue streams we could be looking at if we were a supplier of energy to the east coast?

Ms RYAN: We are looking at the gas we own, so we bought gas from ENI and are looking at what we can do with that. We would not necessarily sell extra gas because a lot of the gas we get from ENI is for our use.

Mr McCARTHY: We have extra gas in that particular ...

Ms RYAN: We do have extra gas in the contract. That is part of the work being undertaken by the Department of the Chief Minister - around that gas, what we can do with that gas and also construction of the pipeline.

Mr WOOD: That is what I was getting at before. I know the more PV that goes on buildings the less gas we use, and we are under contract to pay for that gas so we have a liability at the moment - quite a bit. Do you have any idea what we pay for what amount of gas we do not use, and how much is that costing the Territory.

Ms RYAN: You would have to talk to Power and Water. I do not have the numbers.

Ms MANISON: Can I go back to the feed-in tariff? At the moment we know it is one for one and the Territory's feed-in tariff is much higher than most jurisdictions which have pulled it right back. Just to be clear in my mind, who determines the feed-in tariff in the Northern Territory today?

Mr GRAHAM: At the moment it is Jacana. Feed-in tariffs are not regulated in the Northern Territory.

Ms MANISON: It could be changed at any time. Thank you.

Mr CHAIR: No other issues?

Mr McCARTHY: Back to the gas question, what is the current contract? We are paying for gas and have extra gas, how long will we be paying for that extra gas?

Ms RYAN: The contract goes to 2034 or 2031 - you would need to talk to Power and Water about that.

Mr McCARTHY: A significant time?

Ms RYAN: Yes, about another 15 years to go.

Mr WOOD: Questions on the Pensioner and Carer ...

Mr CHAIR: Do you have an interest in this too?

Mr WOOD: In about 2 weeks. You have reviewed pensioner concessions to see if they have been abused?

Ms RYAN: No, we have not. A review was undertaken in relation to travel, but are you talking about electricity particularly?

Mr WOOD: I think normally in a household where one spouse is a pensioner you can claim the concession. One abuse is you can have a whole group of people in a house and you put it in the name of a pensioner who may not even live there. In other words, you manipulate the system.

Ms RYAN: My understanding is when Health agree to the concession work is undertaken to look at who is registered as the concession holder and who is registered as the owner of the house I think, but Treasury has not done any investigation about how robust that is or whether things change over time. I am not sure how that works in the Department of Health.

Mr WOOD: When people rent a house does the landlord have to apply for the concession?

Ms RYAN: No, with electricity everyone pays their own electricity even if they are renting. When you connect the electricity - that is the name of the person applying for the concession if they are eligible. The landlord would not be getting a concession for electricity. In regard to water and sewerage, I am not sure how that works but I think the Department of Health comes in.

Mr WOOD: I will ask them.

Mr CHAIR: A comment following Nicole's question about the feed-in tariff, both Jacana and Power and Water have said they cannot change the price unless they get the minister's approval. Can we get some clarification on that?

Mr GRAHAM: We will double check. My understanding was it is not part of the pricing order, but we can ...

Ms RYAN: We will check and get that.

Mr CHAIR: We have three different answers here, so it would be good if we can get that sent back to us.

Mr GRAHAM: Okay. Yes, we will take it on notice and get back to you.

Mr CHAIR: Okay. Any other issues or anything ...

Mr WOOD: Just on the pensioners. For remote communities, how does it work for people who have a swipe?

Ms RYAN: In remote communities, I understand they get a token which is capped. I think it is \$1140 at the moment. That is their concession.

Mr WOOD: Is there a proactive program to make sure people out bush know they can get a concession?

Ms RYAN: I am not sure.

Mr McCARTHY: Is that still managed through Health for remote area constituents?

Ms RYAN: Yes. All of the pensioner and seniors' concessions are managed through the Department of Health. Except for the stamp duty one.

Mr CHAIR: Anything else you people would like to say before we let you off the hook, so to speak?

Ms RYAN: No.

Mr WOOD: Yes, I have a philosophical question.

Mr McCARTHY interjecting.

Mr WOOD: I know. I get into trouble from the Treasurer when I believe the provision of water and electricity are basic human rights. I did not know the Treasury perspective. I know you are fairly cold-hearted dollars-and-cents people, but do you also have a broader philosophy that the provision of these particular services are more than just an economic business, they are providing the basic human rights for most people?

Ms RYAN: This is my own view, not Treasury's or the government's view. To some extent, yes, the fact that there is electricity, water and sewerage available is a basic human right. But if you say everyone should have it for free, then the abuse is phenomenal. We have seen that in communities, for example, where someone pays the electricity for someone and people go away for their six weeks holiday and leave the air conditioning on so the mould does not set in. That is because they do not have the price signal. From my perspective, the availability should be there, but the user should pay for usage.

Mr WOOD: It is a balance.

Ms RYAN: The reason we have a uniform tariff which is why it would not be removed, is it is equitable in that supplying electricity to a resident in the CBD is very different to supplying electricity to a resident in Kalkarindji. Everyone should be paying the same.

Mr GRAHAM: It is fair to say that market forces and competition can deliver efficient and reliable electricity supply, but that does not obviate the need or role for government in ensuring that people can access it in an equitable way. Governments do that through providing targeted subsidies to disadvantaged groups.

Mr WOOD: Okay, thanks.

Mr McCARTHY: I have something to share with the group. The *Tennant Creek & District Times* newspaper, a reputable giant in the last of the independent press in the country, charge \$1 for their newspapers. The reason they charge \$1 for it is when somebody pays for it, they take it home, share it and manage it, whereas if it was given for free it could be blowing around on the streets of Tennant Creek.

Mr WOOD: I am definitely not saying essential services should be free. But it should be provided at a price which does not mean that some people cannot afford it. That is what I was getting at.

Ms RYAN: Yes, which is the point you bring in the subsidies, as Craig mentioned.

Mr GRAHAM: And we will not go into philosophical ...

Ms RYAN: We could have a long philosophical discussion.

Mr CHAIR: Thank you very much for your time.

Mr GRAHAM: Thank you.