

## LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

### WRITTEN QUESTION

Ms Manison to the Treasurer:

**1. How many staff are employed by the Utilities Commission?**

The Commission has three staff seconded from the Department of Treasury and Finance.

**2. What is the estimated expenditure on salaries for the Utilities Commission in 2013/14?**

\$313,000

**3. Were any consultants contracted by the Utilities Commission in 2013/14?**

Yes. Due to the nature of the work undertaken by the Commission, the Commission engaged specialist economic, financial and technical consultants during 2013-14.

**4. If so, which consultants were commissioned and what work did they undertake?**

Consultant	Work Undertaken
Entura and Marsden Jacob Associates	Technical advice related to the 2012-13 Power System Review, including demand forecasting, generation and network capacity and reliability, whole of power system reporting and alignment with National Energy Market reporting.
MDQ Consulting	Technical advice related to the 2012-13 Power System Review, specifically related to fuel supply.
Oakley Greenwood	Economic and technical advice related to a review of wholesale generation market arrangements appropriate for the Territory.
Evans & Peck	Technical advice related to the Commission's investigation into the March 2014 Darwin-Katherine System Black.
CQ Partners	Technical advice related to the Commission's investigation into the March 2014 Darwin-Katherine System Black.
Parsons Brinckerhoff	Technical advice related to a review of the Network Technical Code and Planning Criteria, capital and operational expenditure submitted as part Power and Water Corporation's regulatory proposals and demand forecasts.
Deloitte Economics	Economic advice related to a review of Power and Water Corporation's proposed Network Capital Contribution Policy (Statement of Principles), Network Pricing Principles and Statement and high level review of the Commission's Draft and Final 2014 Network Price Determinations.
Primrose and Associates	Economic advice related to the 2014 Network Price Determination and national arrangements.

**5. Were expressions of interest or tenders called for the consultancies? If not why not?**

Yes, all the consultancies listed above were engaged under the Panel Contract (D13-0044) for the Provision of Economic, Financial and Technical Advice, which was established in August 2013 following a public tender process. The Panel Contract is for three years.

**6. How much did the following reports cost and who prepared each report?**

**a) 2014-19 Draft Network Price Determination**

**b) 2014 Network Price – Final Determination**

Items (a) and (b) cannot be separated. They are both considered the same project and to separate the costs would be misleading as work undertaken for the Draft Determination was considered and included in the Final Determination.

The Commission prepared both the Draft Determination and Final Determination with the assistance of technical advisers.

The total costs including technical (engineering) reviews of Power and Water Corporation's proposed capital projects, operational expenditure, demand forecasts, benchmarking, economic pricing advice and legal advice (including compliance with Territory legislation and, where appropriate, the National Electricity Rules) but excluding staff and Commission expenses were \$395,000 (GST exclusive).

**c) Independent Investigation into the Darwin-Katherine System Black Incident 12 March 2014**

The Commission prepared the Investigation Report to the Regulatory Minister. The report attached a report from the Commission's technical adviser, Evans and Peck. The total costs including technical and legal advice (excluding salaries and Commission sitting fees) were \$73,000 (GST exclusive).

**d) Network Pricing Principles and Statement and 2014-15 Network Pricing Proposal**

Nil. This is a document produced by Power and Water Corporation. Costs associated with the Commission's review of PWC's Network Pricing Principles and Statement and 2014-15 Network Pricing Proposal are included in (a) and (b) above.

**e) Review of Wholesale Electricity Generation Market.**

The Commission prepared the Draft and Final Reports to the Regulatory Minister. The total costs (excluding salaries and Commission sitting fees) were \$135,000 (GST exclusive).

**7. What is the estimated cost of implementing the Northern Territory Electricity Market (NTEM)?**

These costs are still to be determined. The Commission acknowledges that there will be costs to implement the proposed NTEM but the costs should be relative to the small size of

the electricity sector in the Territory. The Commission's view is that the proposed NTEM should assist in driving wholesale electricity costs in the Territory to efficient levels.

As part of the Commission's Review on Wholesale Electricity Generation Market, the Commission recommended that an Implementation and Planning Team be established to consider and make recommendations to the Territory Government on legislative requirements to give effect to the NTEM, work through the detail of establishing the necessary market bodies (including costs) and further explore what opportunities exist for national bodies to be involved in aspects of NTEM operation.

**8. Has any budget provision for the NTEM implementation been made in 2014/15 or any provision in the forward estimates?**

The Commission's expectation is that any identified costs will need to be considered by Cabinet as part of a detailed planning and implementation phase.

**9. In 2013/14 and 2014/15 what is the estimated total revenue to the Power and Water Corporation for the sale of:**

- a) Water
- b) Sewerage
- c) Electricity

Revenue for Power and Water Corporation:

2013-14 (draft unaudited actuals as at June 2014):

- a) Water \$98M
- b) Sewerage \$61M
- c) Electricity \$447M

2014-15 (draft SCI as this reflects Power And Water Corporation post separation):

- a) Water \$105M
- b) Sewerage \$66M
- c) Electricity \$15M

**10. In 2013/14 and 2014/15 what is the estimated total revenue from the sale of electricity to:**

- a) Consumers regulated by pricing orders?
- b) Former T1 consumers?
- c) Former T2 consumers?
- d) Former T3 consumers?
- e) Former T4 consumers?

Total electricity revenue by customer type:

2013-14 (draft unaudited actuals as at June 2014):

- a) Franchise customers \$286M
- b) Contestable customers \$161M

2014-15 estimate revenue not broken down by tranches

**11. What was the commercial rate of return on capital achieved by the Power and Water Corporation in 2013/14?**

Rate of return on capital achieved by Power and Water Corporation in 2013-14 is not as yet determined due to 2013-14 financial statements not finalised until end of August 2014.

**12. How will the projected rate of return of 5.5% in 2016 be achieved?**

Note, cannot reference the source of projected rate of return of 5.5% in 2016. Power and Water Corporation achieves a rate of return by maintaining/controlling expenditure growth and recovering revenue opportunities over the forward estimate period.

**13. What is the estimated cost to implement the recommendations of the Independent Investigation into the Darwin-Katherine System Black Incident on 12 March 2014?**

Power and Water has engaged an external consulting firm as the Project Management Office (PMO) to review and manage the recommendations from the Independent Investigation, as well as the internal report conducted by Power and Water's System Control function as required by the System Control Technical Code. A fixed price contract has been agreed with the external consultant, with an upper bound of \$210,000 for the PMO. Power and Water's personnel costs related to implementation actions will be met from within existing funding allocations. Recommendations requiring new or upgraded capital infrastructure will be assessed within Power and Water's capital investment framework.

**14. Which recommendations have already been implemented and which ones are yet to be implemented?**

There were a total of 31 recommendations arising from both the Independent Investigation and PWC System Control's investigation report of the 12 March 2014 system black incident. As at the June 2014 progress report, more than half of the recommendations have been completed, with good progress made on the majority of the remaining recommendations.

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