

## ROLE OF THE COMMISSION, REGULATORY MINISTER AND PORTFOLIO MINISTER

### BACKGROUND

- Under the *Utilities Commission Act*, economic regulation is the promotion of competition and fair and efficient market conduct and, in the absence of a competitive market, the simulation of competitive market conduct and the prevention of the misuse of monopoly power.
- The independent economic regulator for regulated industries in the Territory is the Utilities Commission. Regulated industries in the Northern Territory are the electricity supply industry and the water supply and sewerage services industries.
- The Commission's administration is at "arms' length" from the Government to give confidence to competitors of government-owned businesses and to end-use customers exposed to cost-reflective pricing by such businesses.
- The Commission's statutory functions in regulated industries include:
  - regulating prices charged by government monopoly businesses;
  - granting licences, and monitoring compliance with licence conditions;
  - making, and monitoring the operation of, codes and rules relating to the conduct or operations of a regulated industry or licensed entities; and
  - investigating, and helping resolve, complaints relating to the conduct or operations of licensed entities.
- The Commission is not subject to Ministerial direction in the performance of its statutory functions.
- The Commission is also assigned the functions of advising the Minister on:
  - the operations of the Acts, that is the extent to which experience reveals whether particular provisions in the industry regulation Acts are achieving the objects of those Acts, and what changes might be warranted were the effectiveness or efficiency of those provisions to be improved; and
  - any matters referred by the Minister, for example matters on which the Minister wishes to receive advice from an independent, authoritative source (which may involve policy issues) and provided at "arms' length" from the Government.

## THE COMMISSION

- The Commission comprises the Utilities Commissioner and two Associate Utilities Commissioners. All Commissioners perform their roles on a part-time basis.
- Dr Patrick Walsh was appointed as Utilities Commissioner on 28 October 2011 for a five year term and is also the (part-time) Chairman of the Essential Services Commission of South Australia. Dr Walsh has held senior public sector positions in the energy regulation and reform area in South Australia over the past 25 years. He holds a PhD in Applied Mathematics from the University of Adelaide.
- Mr Mike Robson was appointed as Associate Utilities Commissioner on 23 June 2009 for a five year term. Mr Robson has more than 40 years experience as an electricity industry engineer, including 11 years with the National Electricity Market Management Company, and provides the Commission with technical expertise.
- Mr Peter Caldwell was appointed as Associate Utilities Commissioner on 30 July 2009 for a five year term. Mr Caldwell has more than 40 years experience in a range of Territory and Commonwealth government departments in economic, resources, trade and capital policy areas at senior management levels.
- The Commission is supported by four staff seconded from the Department of Treasury and Finance (Treasury).
- Ms Vanessa Sutcliffe was appointed Director Utilities Commission in August 2011 after being seconded from Treasury. Born and raised in the Territory, Ms Sutcliffe joined the Northern Territory public sector in 1999 as a graduate with the Finance Officer in Training program. She previously held the position of Director Commercial and provided commercial policy advice to Government in relation to government owned corporations and other commercial projects.

## REGULATORY MINISTER

- In accordance with the *Administrative Arrangements Order* (effective 20 March 2013), the Treasurer is assigned the role of Regulatory Minister and is responsible for "economic regulation".
- The Regulatory Minister is responsible for the *Water Supply and Sewerage Services Act* and the *Electricity Reform Act* as far as they relate to economic regulation, and for the *Electricity Networks (Third Party Access) Act*.
- Under the *Utilities Commission Act*, the Regulatory Minister can assign functions to the Commission.

- The Regulatory Minister must table the annual report of the Commission within six sitting days of receipt.
- The Regulatory Minister appoints Associate Utilities Commissioners. The Administrator appoints the Utilities Commissioner on advice from the Treasurer.
- The Commissioners must advise the Regulatory Minister of any direct or indirect conflicts of interest in undertaking their functions, and if any conflicts are identified, the Commissioners must resolve the conflicts to the Regulatory Minister's satisfaction.
- The Commission must consult with the Regulatory Minister prior to making, changing or revoking any industry code or rule or making a Determination.
- The Regulatory Minister may request a review of any Determination by the Commission.
- The Regulatory Minister may refer a matter for public inquiry by the Commission. The Commission must publish a notice of the inquiry, including the terms of reference provided by the Minister. On completion of the inquiry, the Commission must deliver a report to the Minister. The Minister must table the report in the Legislative Assembly within 28 days of receipt.
- The Regulatory Minister may also refer a matter for inquiry by the Commission under its general powers and functions. Such a request and report need not be made public.
- There is potential conflict between the roles of Regulatory Minister and Shareholder Minister for the Power and Water Corporation (PWC). This is managed by the Government, through the Regulatory Minister retaining responsibility for regulatory policy and establishing the broad regulatory principles and framework to be implemented, and the Commission undertaking the administration of such principles and frameworks.

## **SHAREHOLDING MINISTER**

- The Treasurer is assigned the role of Shareholding Minister and is responsible for:
  - agreeing the Statement of Corporate Intent (SCI) with the PWC Board;
  - monitoring the performance of PWC and requesting information on its performance and activities;
  - directing the PWC Board (in consultation with the Portfolio Minister);
  - agreeing Community Service Obligations (CSO) and payments with PWC;

- agreeing on the annual dividend payable by PWC and PWC's capital structure; and
- tabling PWC's SCI, annual report and any directions.

#### **PORTFOLIO MINISTER**

- The Minister for Essential Services is assigned the role of Portfolio Minister and is responsible for:
  - the *Electricity Reform Act* and *Water Supply and Sewerage Services Act* as they far as they relate to supply and service provision under PWC's licences;
  - policy and service standards relating to electricity, water and sewerage industries;
  - administering requests for PWC CSO payments (referring to the shareholding Minister);
  - giving directions to PWC in the public interest (requires shareholding Minister's approval); and
  - approving a Government owned corporation's procurement policy.
- The Commission may also advise the Minister for Essential Services on the operation of those parts of the industry regulation Acts for which he is responsible.



---

## OVERVIEW OF ELECTRICITY MARKET

### BACKGROUND

- There are four main activities involved in the supply of electricity, namely:
  - power system management (planning, monitoring and control);
  - generation: to produce and generate electricity;
  - networks: to transmit and distribute electricity via the network system within a specified geographical area; and
  - retail: to trade in electricity and to sell electricity to final customers.
- Power system management is a monopoly function essential to the safe, efficient and secure operation of the integrated electricity system.
- Generation and retailing of electricity are considered to be activities that are capable of being provided through a competitive market, in which price and output are determined by the interaction of competing buyers and sellers.
- Any party may be authorised (licensed by the Commission) to operate in the generation or retail market provided that they satisfy criteria specified in the *Electricity Reform Act* (ie deemed to be a suitable person and have the necessary financial, technical and human resources to undertake the operations).
- Network services are natural monopolies. For effective competition in upstream (generation) and downstream (retail) markets, all parties – irrespective of their affiliation with the network service provider – must have access to the network.
  - A single party is authorised to operate a specific geographic network. They are generally subject to pricing and other controls that are typically applied to natural monopolies to simulate competitive market outcomes.
- The operations of the electricity market are overseen by:
  - regulator: set prices for monopoly services and monitors and enforces compliance with relevant industry legislation, licence conditions, codes and rules; and
  - system control: monitors and controls the operation of the power system to ensure it operates reliably, safely and securely.

## **CURRENT STATUS**

- The Darwin-Katherine interconnected network, the Alice Springs network and the Tennant Creek network have been declared to be regulated networks (the market systems). Operations in these networks are regulated under the NT Network Access Code.
- Electricity supply in regional and remote centres of the Territory is not regulated under the NT Network Access Code, and is mainly managed by the Territory Government and a service provider through a contract for service model. Indigenous Essential Services Pty Ltd (IES), a subsidiary of PWC, services 20 Territory Growth Towns and 52 remote communities.
- Three mining townships (Nhulunbuy, Alyangula and Jabiru) are each provided with electricity by associated mining firms.
- In the three market systems, PWC is the network service provider and responsible for system control. PWC is required to use all reasonable endeavours to accommodate the requirements of those seeking access to the electricity network and to provide access on a non-discriminatory basis between various network users and potential users.
- PWC is currently the only market electricity generator, although there are a small number of privately owned generators who generate electricity under contract for PWC Generation rather than selling directly to an electricity retailer.
- There are currently three retailers operating in the market systems – PWC Retail (a business unit of PWC), QEnergy Limited (QEnergy) and ERM Power Retail Pty Ltd (ERM).
- Large commercial customers (using more than 750MWh per annum) must negotiate a market contract for supply of electricity with a licensed electricity retailer.
- Domestic and small commercial customers (using less than 750MWh per annum) pay tariffs set by Government through an Electricity Pricing Order.
- Recognising that some customers would experience a significant price shock as they move from the regulated tariff to a cost reflective tariff, an Electricity Pricing Order (T4 Pricing Order) applies to customers (who use between 750MWh and 2GWh of electricity per annum) to provide for the staged movement to cost-reflective prices.

- Key differences between the Territory regulatory framework and the National Electricity Market (NEM) are:
  - In the NEM, generation, retail and networks have been structurally separated into stand alone entities. PWC has been retained as a vertically integrated entity with system control, network, generation and retail operations. PWC is required to 'ring-fence' their monopoly business from their contestable activities (ie separate accounting and information systems to preclude cross-subsidising) and to treat related contestable businesses and third-party competitors on an arm's length non-discriminatory basis.
  - In the NEM, the generation market is operated via a 'wholesale pool'. Generators submit offers for every five minutes of every day, from which the Australian Energy Market Operator (AEMO) determines the generators required to produce electricity based on the principle of meeting demand in the most cost-efficient way. Retailers purchase energy to supply their customers from the wholesale pool and enter into off-market contracts with generators to manage energy supply and associated financial risks. In contrast, retailers in the Territory contract directly with generators for their energy requirements (bilateral contracting) at negotiated prices, although PWC have market power because of their virtual monopoly status.
- All customers became contestable from 1 April 2010. PWC is required, as a condition of its retail licence, to continue to offer to supply domestic and small commercial customers (using less than 750MWh per annum) on the same terms and conditions, including prices, as they were on immediately before becoming contestable for a 'grace period.'
- The current Pricing Orders (incorporating a 30 per cent price increase from 1 January 2013 and later reduced to 20 per cent) applied from 1 January 2013, including a T4 Pricing Order, to 31 December 2013.
- Large customers are required to negotiate individual contracts for supply with an electricity retailer. Similarly, all retailers need to contract with PWC for wholesale generation.

---

## **COMMISSION'S PRIORITY WORK PROGRAM 2009 TO 2012**

### **BACKGROUND**

- In 2009, the Commission was given an expanded role by the Territory Government as part of a reform program to strengthen oversight of the electricity supply, water supply and sewerage sectors.
- The Commission was tasked to undertake a series of reviews aimed at increasing the efficiency of PWC, improving customer standards of service and reliability, and where possible, align the Territory electricity market with the NEM.
- The Commission undertook a series of reviews including:
  - Full Retail Contestability for Northern Territory Electricity Customers.
  - Options for Implementation of a Customer Service Incentive Scheme for Electricity Customers.
  - Options for the Development of a Retail Price Monitoring Regime for Contestable Electricity Customers.
  - Electricity Standards of Service.
  - System Planning, Monitoring and Reporting.
  - System Planning and Market Operation Roles and Structures.
- Each review involved extensive analysis, taking into account local circumstances and frameworks and practices in other Australian jurisdictions.
- Consistent with the Commission's legislative obligation to consult and good regulatory practice, the Commission consulted with key stakeholders as part of the review process.
- As result of the reviews, the Commission made a series of recommendations to Government for priority electricity reform.
- Subsequent to the reviews, the Commission has implemented a number of initiatives including the development of the Retail Supply Code, Guaranteed Service Level Code and new Standards of Service Code.



---

## **NEW STANDARDS OF SERVICE CODE (ELECTRICITY)**

- A new Code was implemented in December 2012 which:
  - establishes service target standards for electricity network services which are intended to reflect customer preferences and willingness to pay for services, and to be achieved on a best endeavours basis;
  - monitor service performance against a comprehensive number of reliability and customer service performance measures and benchmarks; and
  - requires regulated entities to develop systems to report their actual performance.

### **BACKGROUND**

- Service performance in the Territory's electricity supply industry has been monitored by the Commission under the Electricity Standards of Service (ESS) Code since January 2006.
- Following a series of significant electricity outages in September and October 2008 in the Casuarina zone substation which disrupted a large number of customers for a significant period of time, the Commission conducted a review of the ESS framework to assess the adequacy and effectiveness of the ESS Code and to advise on the performance measures and reasonable benchmarks for standards of service in the Territory. The review recommended an overhaul of the framework and development of a new ESS Code.
- Regulated entities are required to develop systems to be able to report their performance in accordance with the new performance standards. The network service provider is also required to report its performance in accordance with the new standards.
- In June 2013, the Commission approved the distribution and transmission network performance target standards applicable to PWC Networks from 1 July 2014 to 30 June 2019. These targets are publicly available on the Commission's website.

---

## NETWORK PRICING

- In accordance with the NT Network Access Code and consistent with practice in the National Electricity Market (NEM), a major price review is undertaken by the Commission, in consultation with stakeholders, every five years to set the regulated network charges.
- The price review determines the revenue or price cap to be applied for the five year regulatory control period and the methodology by which prices may be escalated during that period.
- The process of establishing the network price regulation methodology to apply from 1 July 2014 to 30 June 2019 is referred to as the "2014 Network Price Determination."
- The Commission is required to publish its Final Network Price Determination by 1 April 2014 with new network tariffs to apply from 1 July 2014.

## BACKGROUND

- Retail electricity prices currently paid by consumers comprise a number of cost components:
  - electricity generation costs;
  - transmission and distribution network costs;
  - system operation and control costs; and
  - retail services costs.
- Networks are a natural monopoly. While the poles and wires that transport electricity cannot be economically duplicated, access to the network for all parties, regardless of their affiliation with the network service provider, is essential for effective competition in upstream (generation) and downstream (retail) markets.
- The NT Network Access Code, which is a schedule to the *Electricity Networks (Third Party Access) Act*, sets out the basis upon which generators and retailers in the electricity industry will have access to PWC's networks, by entering into access agreements and paying regulated network charges.
- The NT Network Access Code only applies to those networks declared by the Regulatory Minister to be regulated networks – (Darwin-Katherine, Alice Springs and Tennant Creek networks).

- In the remainder of the Territory, access to PWC's network infrastructure and associated charges are subject to commercial negotiation.
- The revenue or price cap is set to recover the reasonable costs of the network service provider, including a return on capital (ie a financial return on the capital invested in the business), to provide the required reliability and quality of service.
- Network tariffs are approved annually by the Commission, with annual tariffs only being approved if they fall within the set revenue or price cap and are non-discriminatory and cost-reflective.
- The price review is an extensive two year process.

## **2014 NETWORK PRICE DETERMINATION**

- On 3 December 2012, after a public consultation process, the Commission released its Final Decision for the 2014 Network Price Determination Framework and Approach.
- The Framework and Approach sets out the Commission's form of control mechanism that will apply to standard control services during the 2014 Network Price Determination.
- The Commission's view is that generally accepted regulatory practice for electricity networks price determinations is the process undertaken by the Australian Energy Regulatory (AER) in accordance with the National Electricity Rules (NER), and that working towards alignment with such national arrangements is in the long term interest of Territory electricity consumers.
- The Commission acknowledged that there are resourcing constraints (for both PWC and the Commission) and economies of scale which mean that full adoption of an approach consistent with the AER processes may not be practical, however the Commission aims to set a high but achievable level of data provision to be required from PWC and scrutiny by the Commission.
- The Commission is working closely with PWC to ensure it is able to provide the necessary information to enable the Commission to appropriately scrutinise PWC's proposed network capital and operating costs.
- PWC submitted its Initial Regulatory Proposal to the Commission in September 2013. The Regulatory Proposal was made public (excluding any commercially sensitive information) and stakeholders were provided an opportunity to comment.
- The Commission is closely scrutinising PWC's 2014 Regulatory Proposal, with the assistance of specialised technical advisors, to ensure that capital and operating costs associated with the network are efficient, cost-reflective and

appropriately balance the interest of the network service provider, network users and the public interest.

- For small and medium size customers a change to network charges as a result of the 2014 Network Price Determination will not impact the current Pricing Orders or what these customers pay.
- For customers on negotiated contracts for supply (eg large customers consuming more than 750MWh of electricity per annum), the size and timing of the impact on retail tariffs will depend on their individual contract terms and conditions with respective retailers. These customers would not have been impacted by the electricity price increases from 1 January 2013 because they are already on negotiated commercial contracts with retailers.



---

## ANNUAL POWER SYSTEM REVIEW

- The Commission, with suitably qualified engineering, economic and regulatory advice, including the Australian Energy Market Operator, published its Annual Power System Review (2011-12) in early April 2013.
- The Review reports on the power system performance in 2011-12 and forecasts system performance from 2012-13 to 2021 -22 for the Darwin-Katherine, Alice Springs and Tennant Creek power systems.

### BACKGROUND

- Section 45 of the *Electricity Reform Act* (the Act) requires the Commission to provide electricity forecasts to the Minister and electricity entities, and publish an annual review (the Power System Review) which includes the following:
  - report on forecasts of electricity load and generating capacity;
  - an assessment of the performance of the Territory's three power systems (Darwin-Katherine, Alice Springs and Tennant Creek);
  - advice on matters relating to the future capacity and reliability of the Territory's power systems relative to forecast load;
  - advice on other electricity supply industry and market policy matters; and
  - review of the prospective trends in the capacity and reliability of the Territory's power systems relative to projected load growth.
- Regular and comprehensive public reporting on power system and distribution network performance is a feature of the electricity supply industry in all other Australian jurisdictions, including those which form part of the NEM.
- An important element of transparent and robust reporting on system planning and performance matters is that it assists in holding electricity businesses accountable for reliability performance outcomes.
- Over the past three years, the Commission has initiated changes to the Power System Review so that it gradually aligns with a suite of annual strategic planning reports published in other Australian jurisdictions, and becomes more than just an obligatory reporting mechanism for regulated entities.
- The Commission's view is that the Power System Review should be an authoritative tool to inform the energy industry, potential investors, policy



makers and the community about the performance of the power system in order to:

- support planning and monitoring activities by providing data to assist with the identification of investment options, and to facilitate the coordination of investment actions;
  - advise on performance and health of the power system; and
  - report on outcomes experienced by customers.
- The Power System Review provides authoritative data to support the identification of economic options for augmentation and expansion of electricity infrastructure to ensure security and reliability standards are maintained on a cost effective basis for the long term benefit of Territory customers.

## **IMMEDIATE ISSUES**

- The 2011-12 Review identified continuing improvements in PWC's provision of information and the level of analysis supporting that information. These improvements were:
  - PWC adopted more robust demand and energy forecasting methodologies and some of the analytical techniques in accordance with industry accepted practice;
  - PWC provided for the first time a draft Annual Network Management Plan based on similar reports produced by distribution network entities in the NEM; and
  - PWC has conducted load flow studies on the low voltage distribution network necessary for the assessment of loading and capacity.
- These improvements should assist PWC and its new Board to make more informed and balanced investment decisions particularly when assessing the overall electricity supply-demand balance.
- Key findings of the 2011-12 Review include:
  - PWC has sufficient fuel supply arrangements (with natural gas at its core) to maintain electricity supply under multiple contingencies to 2021-22. The Commission did not assess the impact of the supply of gas to Gove Alumina Refinery because it was outside the review period.
  - All three regulated power systems are expected to have sufficient generation capacity to meet forecast electricity demand despite the loss of the two largest generation units until 2019-20 for Darwin-Katherine, and 2021-22 for Alice Springs and Tennant Creek.

- All transmission (high voltage) lines operate within their ratings under normal conditions but may exceed their normal ratings under first contingency conditions (ie with one line out of service), therefore requiring careful planning of maintenance outages outside peak load periods.
- All zone substations should have sufficient capacity to meet forecast load with all transformers in service. Under contingency conditions (ie the loss of one transformer), six substations face capacity constraints. The Commission expects that the construction of Woolner substation and rebuilding of City Zone substation will alleviate such risk in future.
- Out of 177 distribution (low voltage) feeders in the three power systems, the number of feeders exceeding their rating will be 13 by 2016-17, up from seven in 2012-13. The Commission expects PWC to implement plans to reduce the feeder loading to within normal ratings as a matter of priority.
- Generation reliability performance has improved in Darwin, but has generally deteriorated in Katherine, Alice Springs and Tennant Creek. This is despite significant capital investment in both the Darwin-Katherine and Alice Springs systems. The Commission expects performance in Alice Springs to improve now that the new plant has been commissioned.
- Overall network reliability performance over the past five years is continuing to show improvements particularly in terms of average outage times. Reliability for customers on long rural feeders continues to be significantly worse than similar areas in Queensland and the Commission considers this performance unacceptable and requiring attention by PWC.
- A review of power system incidents highlights a lack of adequate generation reserves being available at the time of major incidents, resulting in greater loss of supply to customers than might have been anticipated. PWC have initiated a review of operating policy to identify appropriate levels of operational reserve ("spinning reserve").
- For the 2012-13 Review, the Commission intends to place particular attention on the actual availability of generation and network assets to assess the security and reliability of the system. The Review will also consider the impact of renewable energy on demand (both off-grid and grid-connected new energy technologies).
- For the 2012-13 Review, the Commission has engaged Entura, partnered with Marsden Jacobs to provide technical advice as part of the review process. Both have significant expertise in the NEM in relation to transmission, distribution and generation sectors.

---

## INVESTIGATION OF COMPLAINTS

- In 2013, the Commission investigated two complaints from large customers relating to contract re-negotiations by PWC.

### BACKGROUND

- The Utilities Commission, in accordance with section 48 of the *Electricity Reform Act* and the *Utilities Commission Act*, is empowered and obligated to investigate and help resolve complaints relating to the conduct and or operations of licensed electricity entities.
- In accordance with section 51 of the *Electricity Reform Act*, a person can make a complaint that an electricity entity is engaging in conduct contrary to its licence conditions or contrary to objects of the Act.
- The Commission is required to report the results of an investigation to the Regulatory Minister. If a complaint is substantiated and involves conduct contrary to its licence conditions, the Commission shall advise the Minister of the action it proposes to take to deal with the entity conduct (which could include revoking a licence). If a complaint is substantiated and involves conduct contrary to the objects of the Act, the Commission shall advise the Minister its findings and any recommendations on how the non-compliance can be overcome.
- The NT Ombudsman, appointed pursuant to the *Ombudsman Act*, is able to receive complaints from members of the public who feel they have been treated unfairly or inappropriately by a Territory Government department, statutory authority (including PWC) or local government or community council.
- The Ombudsman is unable to consider complaints from consumers in relation to other electricity entities. The Commission has limited authority to investigate complaints in relation to water supply and sewerage services.

## GUARANTEED SERVICE LEVEL CODE

- On 1 January 2012, the Guaranteed Service Level (GSL) Code commenced which sets out the arrangements for payments to be made by network service providers to small customers who receive very poor levels of service.
- The Code was based on the recommendations arising from the Commission's 2010 *Review of Options for Implementation of a Customer Service Incentive Scheme for Northern Territory Electricity Customers* and consultation with electricity industry participants.
- If a network service provider, currently Power and Water Corporation (PWC) Networks, does not meet the guaranteed service levels in the GSL Code, the network service provider must automatically make a GSL payment to the eligible small customer.
- The scheme is limited to domestic and small customers (using less than 160 megawatts hours a year) on the basis that larger businesses are able to better manage risks through contractual and other arrangements (eg insurance).
- The scheme is restricted to the regulated networks (Darwin-Katherine, Alice Springs and Tennant Creek) on the basis that the majority of customers are located in the regulated networks and extension beyond these networks would create technical and operational issues for PWC to be able to collect reliable data.
- The following GSL payments (summarised) are to be made to eligible customers if the performance measures are not met.

Performance Measure		GSL Level	GSL Payment
1	Duration of single interruption	More than 12 hours and less than 20 hours	\$80 per event
		More than 20 hours	\$125 per event
2	Frequency of Interruptions	CBD Feeders or Urban Feeders: More than 12 interruptions per financial year	\$80
		Rural feeders: More than 12 interruptions per financial year	\$80
3	Cumulative duration of interruptions.	More than 20 hours of interruptions in a financial years	\$125
4	Time for establishing a connection	Timeframes vary for reconnections to existing properties, new connections,	\$50 per day late up to a maximum of \$300

---

**GUARANTEED SERVICE LEVEL CODE**

		and by area (ie CBD, urban and rural)	
5	Time for giving notice of a planned interruption	At least two business days notice	\$50
6	Keeping appointments	CBD and Urban Areas: Within 30 minutes of time agreed with customer Rural Area: Within 1 hour of time agreed with customer	\$20
7	Time for responding to written enquiry related to the regulated network	Within 10 business days of receipt of written enquiry	\$80

- All performance measures commenced 1 July 2012, except performance measure 1 which commenced 1 January 2012.
- The Code provides some exclusions that do not give rise to a GSL payment including:
  - outages caused by a generation shortfall;
  - interruptions beyond the reasonable control of the network service provider (ie traffic accidents, vandalism, and certain natural events);
  - planned interruptions (where the customer has been notified within the appropriate timeframe);
  - interruptions less than one minute;
  - interruptions caused by the System Controller exercising any of its functions or powers;
  - interruptions caused by a direction of a police officer or other authorised person exercising powers in relation to public safety; and
  - interruptions requested by a customer or caused by an action or electrical installation of a customer (or person acting on a customer's behalf).
- PWC Networks is required to make automatic payments to eligible customers. PWC is currently working of implementing systems and processes to ensure that eligible customers can be appropriately identified. Customers are also able to make a claim for a payment if they believe they are eligible



---

## WHOLESALE GENERATION MARKET REVIEW

- In accordance with section 31 of the *Utilities Commission Act*, the Treasurer has asked the Commission to conduct a review and recommend wholesale electricity market arrangements that are appropriate for the Northern Territory.
- The electricity supply industry in the Northern Territory is dominated by PWC. At the present time, there are no competitors to PWC in the generation sector, while in the retail sector two licensees may compete with PWC to sell electricity to customers.
- An impediment to competition in the generation and retail sectors is the lack of operational wholesale market arrangements in the Northern Territory, such as exists in other markets including the NEM, and the reliance on direct (bilateral) contracting between generators and retailers.
- The Commission's review will be based on market objectives to:
  - promote the economically efficient, safe and reliable production and supply of electricity and electricity related services of the Territory;
  - facilitate competition among generators and retailers in the Territory's electricity system, including by enabling efficient entry of new competitors;
  - minimise the long-term cost of electricity supplied to customers from the Territory's electricity system; and
  - encourage the use of measures that more efficiently manage the volume of electricity used including the variations between peak and average loads.
- In undertaking the review, the Commission is considering the applicability of the NEM and Western Australian South West Interconnected System models. The Commission is also having regard to the Government's package of electricity supply industry reforms, including greater alignment of the Territory's regulatory framework with the NEM, transfer of network regulation to the Australian Energy Regulator and adoption of the National Electricity Rules. Any proposed market design arrangements will need to be compatible with these reforms.
- The Commission is to consider wholesale market arrangements that are suitable to the Territory's circumstances and capable of cost effectively replacing sole reliance on bilateral contracting.

- The Commission is to provide recommendations regarding the design and rules that could be adopted initially in the Darwin-Katherine generation market.
- The Commission will undertake transparent and competitively-neutral public consultation as part of the review process.
- In December 2013, the Commission will release a draft report for public comment which will outline the Commission's recommendations for wholesale market arrangements. The Final Report will be provided to the Treasurer in February 2014.
- In accordance with good regulatory practice, the Commission will make the Final Report publicly available. The Utilities Commission Act also requires the Treasurer to table a copy of the Final Report, excluding any confidential or commercially sensitive information) within six sitting days of receipt.

---

## **PRIORITIES FOR THE COMMISSION**

- The Commission is continuing to progress the 2014-19 Network Price Determination, and this will continue to be a resource intensive task at least until mid 2014.
- The Commission is closely scrutinising PWC's 2014 Regulatory Proposal to ensure that the forecast capital and operating expenditure are efficient, cost-reflective and appropriately balance the interest of the network service provider, network users and the public interest.
- The Commission is legislatively required to undertake an annual Power System Review. The Commission's objective is to continue to develop the review into a mechanism for transparent and robust reporting on system planning and performance matters that can assist in holding electricity businesses accountable for reliability performance outcomes and provide an authoritative source for power system planning.
- The Commission will continue to focus on compliance by licensees and has requested greater involvement in the compliance audit undertaken by PWC (including technical provisions). The Commission places great scrutiny on PWC's audit outcomes.
- The Commission will continue to investigate complaints from large commercial customers in relation to licensed entities. The complaints generally relate to pricing and investigations require detailed review of pricing models, proposed charges and negotiation processes.
- With potential private sector interest in the Territory's generation market, significant work needs to be done by the Commission and PWC System Control, prior to the entry of a new generation market participant, including identification and pricing of ancillary control services and the review and documentation of economic dispatch procedures.
- The Commission will continue to undertake a review of alternative wholesale generation market arrangements and recommend arrangements that are appropriate for the Northern Territory. Implementation of any new arrangements is likely to require a detailed staged transition process which the Commission may have to provide ongoing advice to Government.
- The Commission will continue to provide independent advice to Government on its regulatory reforms of the Territory's utilities market including the adoption of national arrangements.

