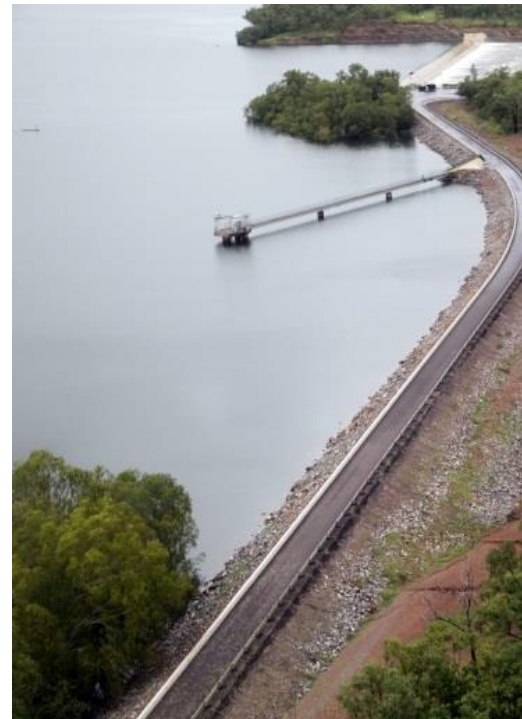




# UTILITIES COMMISSION ANNUAL REPORT

---

2015-16



---

Published by the Utilities Commission of the Northern Territory

© Northern Territory Government 2016

Apart from any use permitted under the *Copyright Act*, no part of this document may be reproduced without prior written permission from the Utilities Commission of the Northern Territory.

ISSN: 2201-2109 (print)

ISSN: 2201-2117 (online)

### **Inquiries**

Inquiries may be directed to the Utilities Commission at any of the following:

GPO Box 915

DARWIN NT 0801

Telephone: +61 8 8999 5480

Email: [utilities.commission@nt.gov.au](mailto:utilities.commission@nt.gov.au)

Cover photographs reproduced with the kind permission of Power and Water Corporation and Philippe Laspeyres

---

# Table of Contents

<b>Glossary .....</b>	<b>iii</b>
<b>Chapter 1: Commissioner’s Overview.....</b>	<b>1</b>
<b>Chapter 2: About the Commission .....</b>	<b>3</b>
Roles and Functions of the Commission.....	3
The Commission .....	6
Commission Meetings and Out-of-Session Decisions .....	6
Organisational Chart as at 30 June 2016.....	7
Commission Funding .....	7
<b>Chapter 3: Performance Summary .....</b>	<b>8</b>
Highlights of 2015-16 .....	8
Future Priorities.....	11
Economic Regulation .....	13
Key Deliverables .....	15
<b>Chapter 4: Electricity Supply Industry .....</b>	<b>16</b>
Roles and Functions of the Commission.....	17
Licensing.....	18
Market Conduct Regulation .....	20
Power System Performance .....	21
Key Findings of the 2014-15 Power System Review .....	22
Price Regulation.....	25
Technical Regulation .....	26
Safety Management and Mitigation Plan .....	27
Complaint Investigation.....	27
Advice to the Minister.....	28
<b>Chapter 5: Water Supply and Sewerage Services .....</b>	<b>29</b>
Roles and Functions of the Commission.....	29
Licensing.....	30
Service Performance .....	30
Price Regulation.....	31
Water Supply and Sewerage Services Asset Management Plan.....	31
Advice to the Minister.....	31
<b>Chapter 6: Port Access and Price Regulation .....</b>	<b>32</b>
Price Regulation.....	32
Port Access Regulation.....	33

Review of the Regime .....	34
<b>Chapter 7: Compliance Monitoring.....</b>	<b>35</b>
Compliance Framework and Reporting.....	35
Compliance Reporting in 2015-16.....	38
Compliance Audits .....	39
<b>Chapter 8: Stakeholder Consultation .....</b>	<b>41</b>
<b>Appendix A: Commission Meetings and Out-of-Session Decisions.....</b>	<b>42</b>
<b>Appendix B: Expenditure and Receipts .....</b>	<b>43</b>
<b>Appendix C: Advisers to the Commission .....</b>	<b>44</b>
<b>Appendix D: Decisions in 2015-16 .....</b>	<b>45</b>
<b>Appendix E: Publications and Reports .....</b>	<b>46</b>
<b>Appendix F: Submissions.....</b>	<b>47</b>

---

# Glossary

<b>Term</b>	<b>Definition</b>
Act	<i>Utilities Commission Act</i>
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Commission	The Utilities Commission of the Northern Territory
DTF	Department of Treasury and Finance (Northern Territory)
electricity network	The electricity network as defined in the <i>Electricity Reform Act</i>
EDL	EDL NGD (NT) Pty Ltd
EPO	Electricity Pricing Order
ERM	ERM Power Retail Pty Ltd
GEMCO	Groote Eylandt Mining Company Pty Ltd
generation	Generation of electricity as defined in the <i>Electricity Reform Act</i>
GSL	Guaranteed Service Level
GPT	GPT RE Limited
IES	Indigenous Essential Services
I-NTEM	Interim Northern Territory Electricity Market
IPP	Independent Power Producer
Jacana Energy	Power Retail Corporation, a government owned corporation established in accordance with the <i>Government Owned Corporations Act</i> and trading as Jacana Energy
MWh	Megawatt hours
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NERR	National Energy Retail Rules
NPD	Network Price Determination
Northern Power	Northern Power Opco Pty Ltd
NTEM	Northern Territory Electricity Market
NTC&PC	Network Technical Code and Network Planning Criteria
Power and Water	Power and Water Corporation, a government owned corporation established in accordance with the <i>Government Owned Corporations Act</i>

---

power system	Refers to the Darwin-Katherine, Alice Springs or Tennant Creek power system
PSR	Power System Review
PV	photovoltaic
QEnergy	QEnergy Limited
Rimfire	Rimfire Energy Pty Ltd
RoLR	Retailer of Last Resort
SAIDI	System Average Interruption Duration Index – the average number of minutes that a customer is without supply in a given period
SAIFI	System Average Interruption Frequency Index – the average number of times a customer’s supply is interrupted in a given period
SCTC	System Control Technical Code
SMMP	Safety Management and Mitigation Plan
structural separation	The structural separation of Power and Water Corporation’s retail and generation business units into Jacana Energy and Territory Generation in accordance with the <i>Government Owned Corporations Act</i> , effective from 1 July 2014
System Control	The System Control business unit of Power and Water Corporation
Territory Generation	Power Generation Corporation, a government owned corporation established in accordance with the <i>Government Owned Corporations Act</i> and trading as Territory Generation
The Minister	The Regulatory Minister (the Treasurer) as determined by the Administrative Arrangement Orders
WSPO	Water Supply and Sewerage Services Pricing Order

---



Charles Darwin Centre 19 The Mall DARWIN NT 0800  
**Postal Address** GPO Box 915 DARWIN NT 0801  
**Tel** (08) 8999 5480 **Web** [www.utilicom.nt.gov.au](http://www.utilicom.nt.gov.au)

The Honourable Nicole Manison MLA  
Treasurer  
GPO Box 3146  
DARWIN NT 0801

Dear Treasurer

In accordance with section 35 of the *Utilities Commission Act* (Act), I am pleased to provide you with the Annual Report of the Utilities Commission of the Northern Territory (Commission) for the financial year ended 30 June 2016.

The Report covers:

- the administration of the Act during the 2015-16 year; and
- the activities of the Commission under the *Electricity Reform Act*, *Water Supply and Sewerage Services Act*, and the *Ports Management Act* during the year.

From 1 July 2015, the role of regulator and the functions under the *Electricity Networks (Third Party Access) Act* were conferred on the Australian Energy Regulator. Consequently, the Commission no longer reports on those activities under this Act.

In November 2015, following the appointment of a private port operator, the Commission commenced its role in relation to port access and price regulation of the Port of Darwin pursuant to Part 11 (Port Access and Pricing) of the *Ports Management Act*.

The Commission notes that the Act provides that a copy of this report is to be tabled in the Legislative Assembly within six sittings days of receipt.

Yours sincerely

A handwritten signature in black ink, appearing to read "Patrick Walsh", written in a cursive style.

Dr Patrick Walsh  
Utilities Commissioner  
30 September 2016

## Chapter 1: Commissioner's Overview

I am pleased to present the 2015-16 Annual Report for the Utilities Commission of the Northern Territory (Commission), presenting key achievements and activities of the Commission for the year ending 30 June 2016.

The electricity market continued to evolve in 2015-16 following the structural separation of the Power and Water Corporation (Power and Water) and the establishment of Jacana Energy and Territory Generation from 1 July 2014. Greater transparency and clearer responsibilities are evident in the roles and interactions between the separated entities in providing efficient and reliable electricity to end-use consumers.

From 1 July 2015, electricity network access and price regulation was transferred from the Commission to the Australian Energy Regulator (AER). The Commission acknowledges the significant work by the Department of Treasury and Finance and the Commonwealth Government to facilitate the transfer of network access and price regulation to the AER.

The Commission considers the National Electricity Rules (NER) to be an established best practice regulatory framework for governing the operation of a competitive wholesale electricity market and associated electricity system, economic regulation of monopoly network services and the provision of services to retail customers. The Commission strongly supports the objective of establishing a role for national bodies in the Territory, including the AER, Australian Energy Market Commission and Australian Energy Market Operator (AEMO), where efficient to do so. During the year, the Commission continued to provide advice to the Northern Territory Government on full adoption of the NER with significant work ongoing to consider, amongst other things:

- the interaction between national and Territory-specific wholesale market arrangements;
- power system security requirements;
- power system planning and reporting;
- metering (including installations, data collection and management of metering data); and
- customer protections under the National Retail Law and National Energy Customer Framework (NECF).

In accordance with the *Ports Management Act*, the Commission commenced its role as the independent economic regulator for the Port of Darwin in November 2015 following the appointment of a private port operator for the Port of Darwin. In 2015-16, the Commission provided advice to the Government on the adoption of a regulatory framework for declared ports and prescribed port services and consulted with stakeholders and the private port operator in terms of the first Price Determination for the Port of Darwin.

The Commission continued its focus on contributing, where possible, to improvements to the reliability and security of the power system by encouraging improvements in incident reporting by Power and Water as well as seeking high level advice from AEMO on the annual Power System Review. The Commission acknowledges the significant work undertaken by Power and Water System Control and Territory Generation to better understand the performance of generation and transmission assets in the Darwin-Katherine region. The

---



Commission will continue to liaise with the licensees in 2016-17 to ensure any major incidents are appropriately investigated and recommended actions are implemented for sustained and measurable improvements in power system performance.

On 30 June 2016, the Commission granted licences to EDL NGD (NT) Pty Ltd for generation and retail of electricity. This reflects the entrance of a second stand-alone generator into the Territory's electricity market. The Commission continued to engage with and provide advice to licence applicants and potential licence applicants during 2015-16.

During 2015-16, the Commission continued to focus on ensuring licensees maintain adequate compliance systems and processes to ensure compliance with the relevant regulatory obligations. In September 2015, following stakeholder consultation, the Commission issued Compliance Framework and Reporting Guidelines to supplement its Statement of Approach on Compliance. The guidelines were developed as part of a stronger approach to compliance, in line with practices nationally and in other Australian jurisdictions.

Following receipt of the annual compliance reports, due by 1 December 2015, the Commission worked closely with licensees to review and consider the reported compliance breaches and compliance registers maintained by the licensees. In June 2016, the Commission published its first annual compliance report, which provides a summary of compliance reports received from the licensees during the year.

In 2015-16, the Commission required several licensees to undertake compliance audits. During the year, a material breach by Power and Water of the 2014 Network Price Determination (NPD) was identified and the Commission commenced a review of Power and Water's compliance with the 2014 NPD including the process of identifying the breach and reporting by Power and Water. As at 30 June 2016, this review was ongoing.

The Territory Government has previously indicated that, subject to suitable arrangements for the transfer of network access and price regulation to the AER, the Commission would be wound up during 2015-16, with licensing, technical work, network reliability standards, performance monitoring, and economic regulation of water supply and sewerage services being assigned to other relevant agencies.

At present, the Commission continues to have a substantial regulatory and advisory role and this situation is likely to continue for several years. The Commission will continue to engage with Government regarding the future of the Commission.

The appointments of Associate Commissioners Mike Robson and Peter Caldwell concluded on 30 June 2016 after seven years of service with the Commission. I thank them for their professionalism, expertise and significant contribution to the achievements of the Commission during their tenure. I commend the staff for their commitment and professionalism as displayed through their work and achievements in 2015-16. I also thank the various stakeholders who have engaged with the Commission during its various regulatory processes in 2015-16. The Commission places the highest priority on effective stakeholder engagement.

Dr Patrick Walsh  
Utilities Commissioner

---

## Chapter 2: About the Commission

The Commission is an independent statutory body with defined roles and functions for economic regulation in the electricity, water and sewerage industries and declared ports in the Territory. The Commission's role as economic regulator for declared ports commenced in 2015-16 upon the appointment of a private port operator in the Territory in November 2015.

The Commission was established on 21 March 2000 by the *Utilities Commission Act* as part of an economic framework for regulated industries that promotes and safeguards competition and fair and efficient market conduct or, in the absence of a competitive market, promotes the simulation of competitive market conduct and the prevention of misuse of monopoly power.

### Roles and Functions of the Commission

The Commission's functions and powers are defined in the *Utilities Commission Act*, with specific responsibilities regarding a particular industry assigned to the Commission by provisions in relevant industry regulation Acts, including the *Electricity Reform Act*, *Water Supply and Sewerage Services Act*, and the *Ports Management Act*. The Commission currently has responsibilities assigned in the electricity, water and sewerage services and ports industries.

The key regulatory functions of the Commission are to:

- regulate prices charged by government and other businesses for providing certain monopoly services and certain services in regulated industries;
- perform licensing functions;
- develop, monitor and enforce compliance with, and promote improvement in, standards and conditions of service and supply;
- make, and monitor the operation of, codes and rules relating to the conduct or operations of a regulated industry or licensed entities;
- investigate and help resolve complaints relating to the conduct or operations of licensed entities;
- assist consumers and others with information; and
- advise the Minister on any matter referred by the Minister.

The relevant industry regulation Acts applying to the electricity supply industry are the *Electricity Reform Act* and the *Electricity Networks (Third Party Access) Act*.

From 1 July 2015, responsibility for network price regulation and oversight of network access in accordance with the *Electricity Networks (Third Party Access) Act* and the Network Access Code was transferred to the AER.

---

The relevant industry regulation Act applying to the water supply and sewerage services industries is the *Water Supply and Sewerage Services Act*.

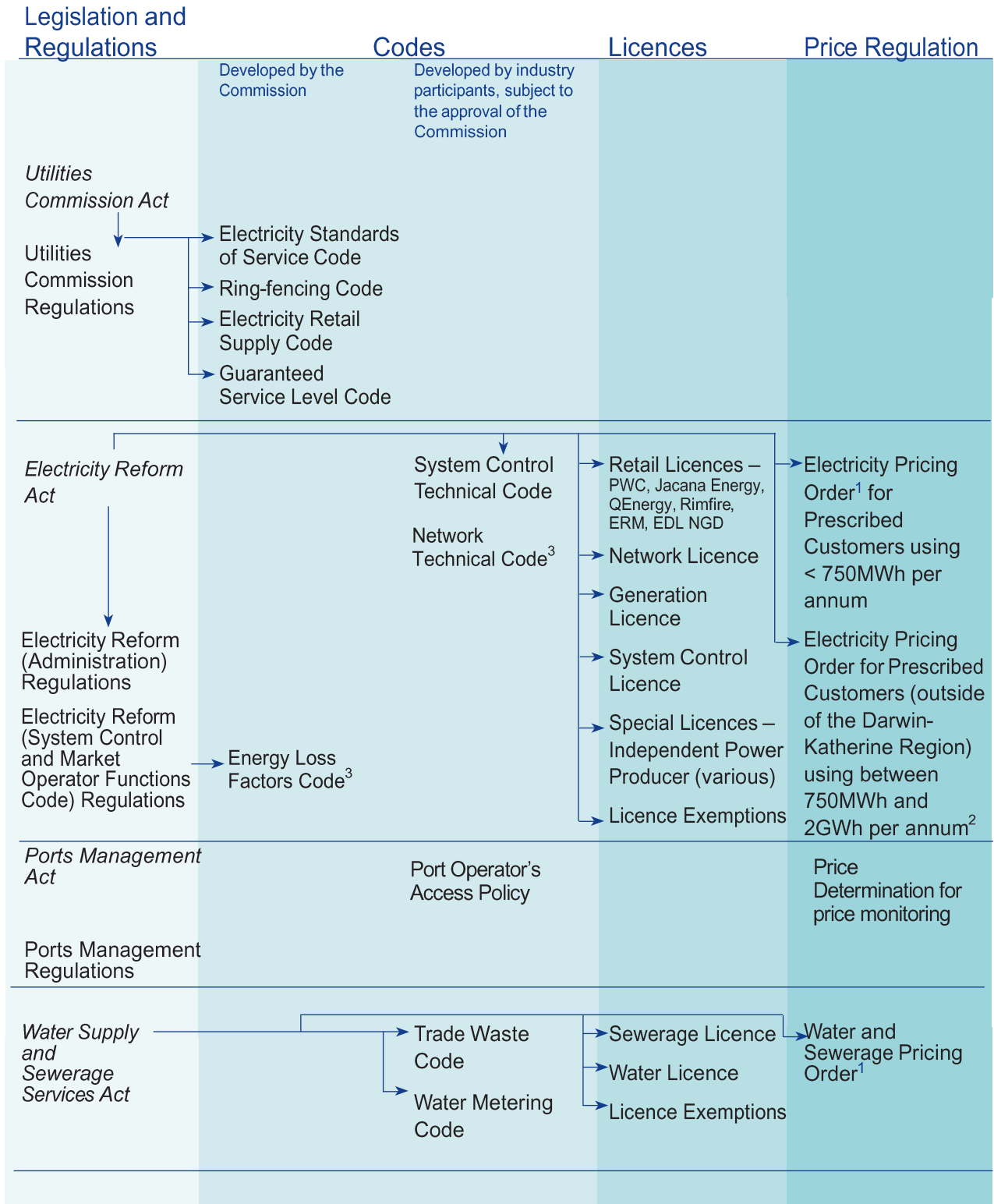
The *Ports Management Act* establishes and defines the ports access and price regulation regime for which the Commission is the economic regulator.

The Commission acknowledges the complexity of the regulatory framework governing the electricity, water supply and sewerage services and port industries in the Territory. It also recognises the role of Government, government agencies and industry participants in the regulatory framework.

The diagram on the following page provides an overview of the existing regulatory environment for the Territory, as at 30 June 2016.

---

## Existing Northern Territory Regulatory Architecture



1 Pricing Orders are issued by the Minister. The Commission is responsible for monitoring compliance with the pricing orders, enforcement and investigation of complaints from customers in relation to pricing orders.

2 In July 2015, the Minister revoked the pricing order to the extent that it applies to customers of those classes in the Darwin-Katherine Region with effect on and from 1 August 2015. The Pricing Order from 1 January 2015 to 31 December 2015 applied to customers outside of the Darwin-Katherine Region. No new Pricing Order for this group of customers was issued for 2016.

3 Prior to 1 July 2015 and the transfer of network regulation to the AER, the Network Access Code and Energy Loss Factors Code were authorised by the *Electricity Network (Third Party Access) Act*.

## The Commission

Dr Pat Walsh was appointed as the Utilities Commissioner for a five-year term on 28 October 2011. The Commission had two Associate Utilities Commissioners, Mr Peter Caldwell and Mr Mike Robson for 2015-16. All Commissioners perform their roles on a part-time basis.

### Dr Pat Walsh

Pat Walsh commenced a five-year term as Utilities Commissioner in October 2011. He was also Chairperson of the Essential Services Commission of South Australia until February 2016. He is a Fellow of the Australian Institute of Energy and Member of the Australian Institute of Company Directors.

Pat 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

Mike Robson was appointed as an Associate Utilities Commissioner on 23 June 2009. His appointment concluded on 30 June 2016. He has more than 40 years' experience as an electricity industry engineer, including 11 years with the National Electricity Market Management Company.

### Mr Peter Caldwell

Peter Caldwell was appointed as an Associate Utilities Commissioner on 30 July 2009. His appointment concluded on 30 June 2016. He 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. He is a fellow of the Australian Institute of Company Directors and has been awarded a Public Service Medal.

## Commission Staff and Resources

The Commission is supported by four staff seconded from the Department of Treasury and Finance.

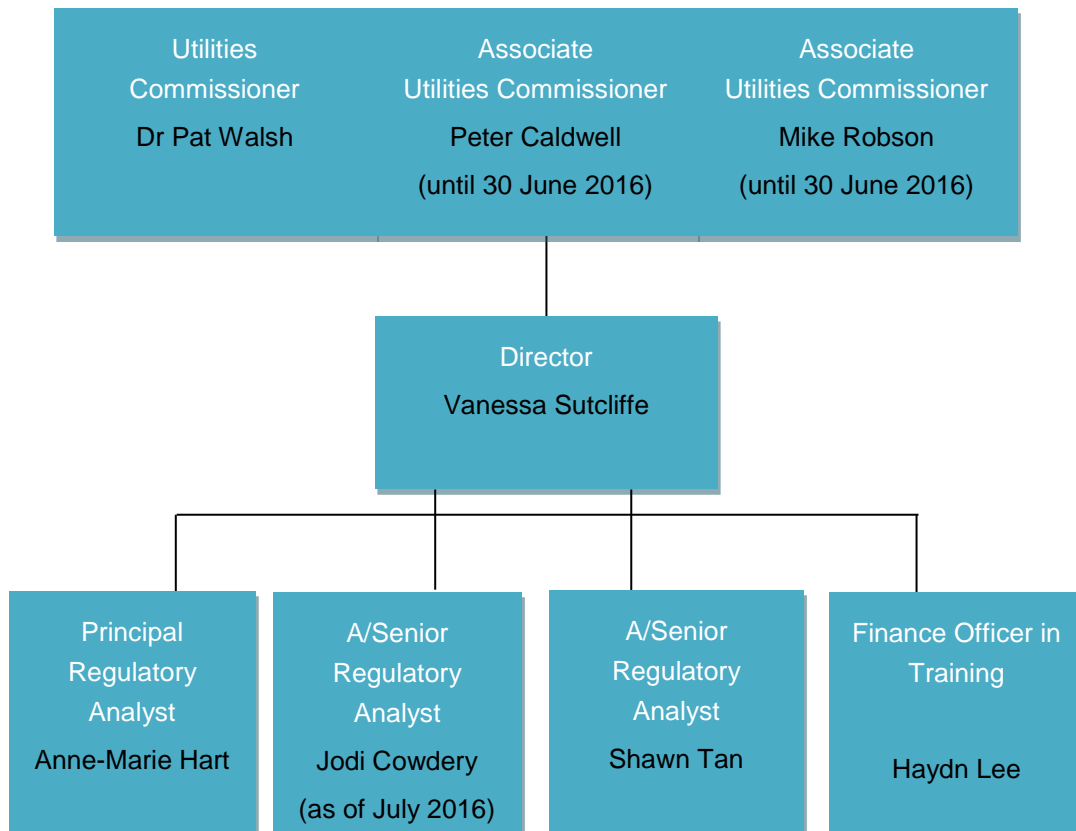
## Commission Meetings and Out-of-Session Decisions

The Commissioners and Commission staff generally meet around eight times a year to discuss work undertaken by the Commission, to provide direction for work and to approve decisions. During 2015-16, the Commission met nine times (four in person and five teleconferences).

Appendix A contains a full list of Commission meetings and out-of-session decisions that occurred in 2015-16.

---

## Organisational Chart as at 30 June 2016



## Commission Funding

Licence application fees and annual licence fees are receipted directly into consolidated revenue. Fees are fixed for a particular type of licence by the Minister and are an amount the Minister considers to be a reasonable contribution towards administrative costs of the Commission.

The Commission's expenditures are funded directly from consolidated revenue.

Appendix B provides a summary of the Commission's expenditures in 2015-16, as well as the associated receipts.

The Commission also engages appropriate expert technical advice through the use of consultants as required (detailed in Appendix C).

## Chapter 3: Performance Summary

The following section provides details of key highlights for the Commission in 2015-16 and the Commission's key priorities for 2016-17.

Decisions made by the Commission during 2015-16 are set out in Appendix D. Appendix E provides a list of reports published by the Commission during the year.

### Highlights of 2015-16

#### Power System Review

The Commission's annual Power System Review (PSR) focuses on the Darwin-Katherine, Alice Springs and Tennant Creek regulated power systems. In 2015-16, the Commission continued to place focus on power system incident reporting and planning, including the power system model and spinning reserve, generation availability and response and network planning, availability and reliability. The 2014-15 PSR was the first review following structural separation of the retail and generation business units from Power and Water.

Regular and comprehensive public reporting on power system and distribution network performance is an essential feature of the electricity supply industry in all other jurisdictions, including those forming part of the National Electricity Market (NEM). Transparent and robust reporting on system planning and performance matters also assists in holding electricity businesses accountable for reliability performance outcomes.

Consistent with the objectives of the Government's electricity reform program, the Commission looks to continue to transition its reporting requirements to be consistent with those in the NEM. Recognising that AEMO has significant expertise in forecasting demand and generation adequacy at a system level, the Commission received high-level advice from AEMO on the scope of the Power System Review and intends to seek further AEMO involvement in 2016-17.

#### Advice on Customer Protection Framework

In April 2016, the Commission received a request from the Treasurer to provide high-level advice on customer protections that exist as part of the NECF and other jurisdictional-specific customer protections that may be suitable for small to medium electricity customers in the Territory. This was done as part of the Territory Government's electricity reform program and efforts to further introduce electricity retail competition in the Territory.

The Commission provided its advice utilising existing information available to the Commission through various means and previous discussions with stakeholders.

---

## **Licensing and Compliance**

In 2015-16, the Commission provided advice on the Territory's regulatory framework and the licensing process to potential generation and retail licence applicants.

On 30 June 2016, the Commission approved generation and retail licences to EDL NGD (NT) Pty Ltd. As at 30 June 2016, further information was still to be provided by Northern Power Opco Pty Ltd in relation to its application for a generation licence. Consistent with good regulatory practice, the Commission seeks comments on licence applications from market participants and stakeholders.

In 2015-16, the Commission also undertook a review of the retail licences, publishing a consultation paper to ensure the licences remain consistent with legislative provisions and good regulatory practice in contemplation of the significant developments in the Territory electricity industry. The Commission is currently considering further amendments required to the licences to reflect changes in market development.

In accordance with licence conditions, the Commission may, with reasonable notice, require a licensee to appoint an independent auditor to undertake an audit of the licensee's compliance with any of its obligations under its licence. In 2015-16, the Commission required Power and Water to appoint an auditor and report any findings in relation to Power and Water's compliance with specific obligations in the Guaranteed Service Level Code and Electricity Standards of Service Code. In 2015-16, the Commission also commenced a thorough review of Power and Water's compliance with the 2014 Network Price Determination. This review is scheduled to be completed in late 2016.

## **Compliance Framework and Reporting Guidelines**

During 2015-16, following consultation with licensees, the Commission published Compliance Framework and Reporting Guidelines. The new Guidelines were part of a stronger approach to compliance, consistent with practices nationally and in other Australian jurisdictions, and introduced an annual compliance reporting requirement on all licensees and an annual declaration from the Board of Directors of each business as a vehicle for elevating the importance of compliance.

The Final Compliance Framework and Reporting Guidelines were released in October 2015, and amalgamated with the Commission's 2012 Statement of Approach on Compliance in February 2016.

The Commission extended the timeframe for licensees to submit the first annual compliance reports to 30 November 2015 and worked with licensees to review breaches identified and compliance obligation registers. In June 2016, the Commission published its first Compliance Report providing a summary of the compliance reports received from licensees.

## **Electricity Retail Supply Code**

In 2015-16, the Commission made a variation to the Electricity Retail Supply Code to clarify that the Retailer of Last Resort (RoLR) is Jacana Energy, following the structural separation of Jacana Energy from Power and Water on 1 July 2014.

---



The Commission continued to review the Code in reflection of significant developments in the Territory electricity market since the Code was first developed in 2011. In July 2016, the Commission released a Consultation Paper in response to an application made by Power and Water in April 2016 to make significant amendments to the Retail Supply Code, including the introduction of a wholesale market, structural separation of Power and Water and the entrance of new retailers. The Commission expects to make a final decision to amend the Code, including the issuing of a varied Code, in December 2016.

### **Water Supply and Sewerage Services**

Although the Commission's authority in relation to water supply and sewerage services is limited, the Commission continued to monitor compliance with licence obligations and provide advice and assistance to customers regarding the Territory's regulatory framework.

In 2015-16, the Commission provided advice to licensees and stakeholders on water licensing issues and reviewed Power and Water's water supply and sewerage service asset management plans for the major centres of Darwin, Katherine, Alice Springs, Tennant Creek and Yulara to ensure optimal arrangements for creating, repairing and replacing the licensee's water supply and sewerage services infrastructure were considered.

The Commission noted Power and Water's 2015 asset management plans for the major centres represented a significant development of the previous plans submitted in 2013 (and the 2012 asset management plan submitted for the Darwin Region licence area). The Commission particularly notes the development of the Darwin Region asset management plan and related Darwin Region Water Supply Strategy.

### **Ports Access and Price Regulation**

In May 2015, the *Ports Management Act* was assented to provide for the control, management and operation of ports, and related purposes. The *Ports Management Act*, among other things, establishes the Commission as the independent economic regulator for port access and price regulation of declared ports with the appointment of a private port operator. During 2015-16, the Commission provided advice and assistance to Government on the establishment and operation of an access and price regulation regime.

In November 2015, Darwin Port Operations Pty Ltd was appointed as the private port operator for the Port of Darwin. In February 2016, following consultation with key stakeholders, and consistent with the *Ports Management Act*, Ports Management Regulations and the *Utilities Commission Act*, the Commission made a Price Determination for the Port of Darwin setting out the manner in which the Commission will undertake its price monitoring role.

In March 2016, the Commission received a draft access policy from Darwin Port Operations to apply to the Port of Darwin. The Commission facilitated consultation on the proposed access policy and engaged in further discussions with the private port operator. In August 2016, an amended draft access policy was released for further consultation with stakeholders including port users.

---

## Future Priorities

### **Contribute to a measurable improvement in the technical performance of the power system**

During 2016-17, the Commission would like to continue to see and contribute, where it can, to a measurable improvement in the technical performance of the Territory's power system by:

- encouraging greater independence of system control and market operations within Power and Water and continuing to place emphasis on planning and performance of the power systems and the increasing role of the market operator;
- improved incident reporting timeframes and monitoring of actions to address recommendations from major incident reports;
- greater focus on consistency with NEM reporting and utilising the expertise of AEMO in the assessment of generation and transmission adequacy and forecasts; and
- encourage market participants to adopt and comply with policies and procedures consistent with those used by national bodies and representing good electricity industry practice, including the detailed investigation of the cause of major incidents and continuous improvement of processes and procedures.

### **Contribute to the development and implementation of the reform program for the Territory's electricity industry**

The Commission will continue, within its legislative authority, to provide advice and assistance to Government on the development and implementation of the electricity industry reform program, including:

- provide advice and assistance in implementing the full Northern Territory electricity wholesale market, as required;
- encourage adoption of other aspects of the NER that may be appropriate to the Territory including power system planning and reporting and customer protections and development and advice on appropriate transition arrangements; and
- consider the outcomes of Power and Water's review of ancillary services and determination of the efficient cost of such services.

The Commission will seek to ensure compliance with the System Control Technical Code and the rules of the interim wholesale electricity market (I-NTEM).

### **Contribute to the development of a reform program for the Territory's water services industry**

The Commission will continue, within its legislative authority, to provide advice and assistance to Government on the development and implementation of a reform program for the water supply and sewerage service industry, including consideration of minimum service standards and reporting against service standards by licensees.

---

### **Ensure that access and price regulation of the Port of Darwin is undertaken in an efficient and effective manner**

The Commission will seek to ensure access and price regulation of the Port of Darwin is undertaken in an efficient and effective manner including:

- consider and approve the first port access policy for the Port of Darwin's private port operator and the establishment of appropriate price monitoring policies and procedures; and
- where possible, contribute to the refinement of the Port Access and Price Regulation Regime through preparatory work for the 2017-18 review of the regime in accordance with the objectives of the regulatory framework.

### **Ensure that the Commission's ongoing functions are undertaken in an effective and efficient manner**

The Commission will continue to ensure its ongoing functions are undertaken in an effective and efficient manner, including:

- consider elements of NECF, which may be adopted in the Territory and possible transition arrangements;
  - assess licence applications in accordance with legislative requirements and good regulatory practice and seek advice and guidance from other regulators as appropriate;
  - review existing codes and guidelines, including the Electricity Standards of Service Code and Guaranteed Service Level Code, and develop new codes or amend existing codes, if necessary, to further the market development and reform process;
  - continued focus on ensuring the compliance systems of licensees and industry participants are robust through a comprehensive audit program and compliance reporting framework;
  - review Power and Water's water supply and sewerage services asset management plans and encourage more timely and robust planning consistent with good industry practice; and
  - provide advice to the Minister on any matter referred by the Minister.
-

## Economic Regulation

During 2015-16, the Commission undertook the following regulatory functions in accordance with the regulatory framework:

Function	2015-16 Work
<p>To regulate prices charged by government and other businesses for providing certain monopoly services and for providing services in regulated industries as required under relevant industry regulation Acts.</p>	<p><b>Completed</b> – The Commission made a Final Determination setting out how it will monitor prices charged by a private port operator in accordance with the <i>Ports Management Act</i>.</p> <p><b>Ongoing</b> – The Commission continued to facilitate consultation between stakeholders and private port operator as part of its consideration of the private port operator's first Port of Darwin Access Policy.</p> <p><b>Ongoing</b> – The Commission continues to monitor prices charged by Power and Water and Jacana Energy in accordance with the Electricity Pricing Orders and Water and Sewerage Services Pricing Order, responding appropriately where breaches were reported to the Commission.</p>
<p>To perform licensing functions under relevant industry regulation Acts.</p>	<p><b>Completed</b> – The Commission continued to provide advice to potential licence applicants during 2015-16.</p> <p><b>Completed</b> – The Commission issued licences for retail and generation to EDL NGD (NT) Pty Ltd on 30 June 2016.</p> <p><b>Ongoing</b> – The Commission undertook a review of retail licences in 2015-16 to consider appropriate amendments in light of developments to the electricity industry in the Territory.</p> <p>On 3 July 2015, the Commission published a public Consultation Paper containing a template retail licence and sought submissions from stakeholders.</p>
<p>To develop, monitor and enforce compliance with and promote improvement in standards and conditions of service and supply under relevant industry regulation Acts.</p>	<p><b>Completed</b> – The Commission published the 2014-15 PSR, which reports on the trends in adequacy and security of the Territory's power system. The review is a legislative requirement that ensures the continued reliability of the Territory's power system.</p>

	<p>The PSR included a summary of the reporting information provided by market participants in accordance with the Electricity Standards of Service Code.</p> <p><b>Ongoing</b> – The Commission continued to monitor power system incident reporting and the progress of implementing recommendations made from reviews of previous incidents.</p>
<p>To make, monitor the operation of, and review from time to time, codes and rules relating to the conduct or operations of a regulated industry or licensed entities under relevant industry regulation Acts.</p>	<p><b>Completed</b> – The Commission made a variation to the Retail Supply Code in January 2016, clarifying that following structural separation of Power and Water, the Retailer of Last Resort is Jacana Energy.</p> <p><b>Ongoing</b> – The Commission released a consultation paper in response to an application by Power and Water to amend the Retail Supply Code in light of changes to the Territory electricity market.</p> <p><b>Completed</b> – The Commission released Final Compliance Framework and Reporting Guidelines and amalgamated the guidelines with its Statement of Approach on Compliance in February 2016.</p>
<p>To investigate and help resolve complaints relating to the conduct or operations of licensed entities under relevant industry regulation Acts.</p>	<p><b>Ongoing</b> – The Commission did not receive any formal complaints against electricity entities during the 2015-16 year.</p> <p>The Commission continues to provide information and assistance to stakeholders on the complaints investigation process as requested.</p>
<p>Providing information to customers and market participants on declared regulated industries in the Territory including the electricity, water and sewerage industries and regulatory arrangements.</p>	<p><b>Ongoing</b> – The Commission continues to place emphasis on public consultation and undertakes reviews and determinations in a transparent manner.</p> <p>The Commission responds to queries from customers and the community and provides information on the role of the Commission, the Territory electricity market, water and sewerage industries, and regulatory arrangements.</p>

To advise the Minister on any matter referred by the Minister.	<b>Completed</b> – The Commission provided advice to the Minister on customer protections that might be suitable for the Northern Territory.  The Commission provided advice to the Minister on regulated retail tariffs and associated community service obligation arrangements.
To perform any other function assigned by or under this or any other Act or conferred by the Minister.	As detailed above.

### Key Deliverables

The Commission remains committed to setting high performance measures for meeting its duties as the independent economic regulator in the Territory. This is illustrated in the performance measures published in the 2016-17 Budget.

Key Deliverables	2015-16 Budget	2015-16 Estimate	2016-17 Budget
Determinations and approvals issued within statutory timeframes <sup>1</sup>	100%	100%	100%
Stakeholder satisfaction <sup>2</sup>	≥ 5	≥ 5	≥ 5

<sup>1</sup> Covers determinations and approvals on monopoly pricing, minimum service standards and other activities as provided for under the *Utilities Commission Act* and other relevant legislation.

<sup>2</sup> Stakeholder is the Regulatory Minister (the Treasurer). Measures range from a rating of 1 = extremely dissatisfied through to 6 = extremely satisfied.

## Chapter 4: Electricity Supply Industry

The electricity supply industry in the Territory is regulated by the *Electricity Reform Act*, *Electricity Networks (Third Party Access) Act*, *Utilities Commission Act* and associated legislation. This statutory framework was introduced on 1 April 2000.

The statutory framework is primarily focused on regulating the activities of electricity industry participants and customers in the Darwin-Katherine, Alice Springs and Tennant Creek power systems – referred to as the regulated systems. Key elements of the statutory framework are:

- staged introduction of retail contestability, with all customers becoming contestable from 1 April 2010;
- an independent economic regulator, the Commission, to regulate monopoly electricity services, licence market participants and enforce regulatory standards for market conduct and service performance; and
- third-party access to the Darwin-Katherine, Alice Springs and Tennant Creek electricity networks, which transferred to the AER on 1 July 2015.

The structural separation of Power and Water took effect on 1 July 2014 with the transfer of the generation and retail licences and functions to Territory Generation and Jacana Energy. Power and Water continues to provide system control, manage the electricity network and retains some limited retail and generation functions primarily related to its remote operations.

As at 30 June 2016, there were six electricity retailers licensed in the Territory. The retailers were:

- Power and Water;<sup>1</sup>
- Jacana Energy;<sup>2</sup>
- QEnergy Limited (QEnergy);
- ERM Power Retail Pty Ltd (ERM);
- Rimfire Energy; and
- EDL NGD (NT) Pty Ltd.

On 30 June 2016, EDL NGD (NT) Pty Ltd was issued a retail licence and generation licence by the Commission. In accordance with good regulatory practice, the Commission sought comments on the licence applications from market participants and stakeholders in 2014-15. Four submissions were received and considered by the Commission.

---

<sup>1</sup> Operations in Indigenous communities under the Indigenous Essential Services (IES) program, Jabiru, Nhulunbuy, Alyangula, and McArthur River Mine

<sup>2</sup> Operations in Darwin, Katherine, Tennant Creek, Alice Springs, Daly Waters, Borroloola, Timber Creek, Elliot, Newcastle Waters, Yulara, Ti Tree and Kings Canyon

In the three regulated systems, Territory Generation remains the main electricity generator. Most of the electricity generation functions previously held under Power and Water's generation licence before structural separation transferred to Territory Generation.

Power and Water continues to be licensed to provide some generation services primarily related to its remote operations.

As at 30 June 2016, the standard generation licensees were:

- Territory Generation;<sup>3</sup>
- Power and Water;<sup>4</sup> and
- EDL NGD (NT)<sup>5</sup>.

Although there are other privately owned generators operating in the Darwin-Katherine and Alice Springs systems and exporting electricity into those systems, these suppliers generate electricity under contract for a standard generation licensee rather than selling directly to an electricity retailer. Special generation licences were held by the following producers:

- EDL (McArthur River power station, McArthur River);
- Central Energy Power Pty Ltd (Brewer Estate power station, Alice Springs);
- Energy Resources of Australia Ltd (Ranger power station, Jabiru);
- LMS Energy Pty Ltd (landfill gas, Shoal Bay power station, Darwin);
- Uterne Power Plant Pty Ltd (photovoltaic system at Alice Springs); and
- TKLN Solar Pty Ltd (photovoltaic systems at Ti Tree, Kalkarindji and Lake Nash – Alpururulam).

An isolated system licence is held by Groote Eylandt Mining Company Pty Ltd (GEMCO).

Power and Water is the network service provider and is also responsible for system control and market operations. The Darwin-Katherine, Alice Springs and Tennant Creek networks are not interconnected and are separated by long distances.

## Roles and Functions of the Commission

The Commission has the following functions in the electricity supply industry to:

- perform licensing functions, granting licences to firms to undertake electricity generation, electricity networks, system control and retail operations in the Territory;
- develop standards of service and supply and make codes and rules relating to the conduct or operations of the electricity supply industry or individual licensed entities;
- monitor and promote improvement in standards and conditions of service, supply and operations of the electricity supply industry and licensed entities;

<sup>3</sup> Channel Island, Weddell, Katherine, Tennant Creek, Ron Goodin, Owen Springs, Yulara and Kings Canyon power stations

<sup>4</sup> Berrimah Power Station (decommissioned), Indigenous communities under the Indigenous Essential Services program and minor commercial power stations (Elliott, Daly Waters, Ti Tree, Timber Creek and Borroloola)

<sup>5</sup> Issued a standard generation licence on 30 June 2016



- regulate charges imposed by the System Controller relating to the operations of system control;
- monitor and enforce compliance with standards and conditions of service and supply and monitor the operation of, and enforce compliance with codes and rules relating to the conduct or operations of the electricity industry or licensed entities;
- advise the Minister on any matter referred to the Commission by the Minister; and
- assist consumers and others with information on the market and regulatory framework.

## Licensing

The Commission considers applications from persons seeking to operate in the Territory's electricity supply industry, in accordance with the provisions of the *Electricity Reform Act*.

The Commission has the power to customise licences and has developed subcategories of licences and combined licences to suit particular circumstances.

Table 4.1: Types of Licences Currently Issued

Licence type	Scope
Standard generation licence	<ul style="list-style-type: none"> <li>- To generate electricity for sale.</li> <li>- To sell electricity to electricity entities holding generation or retail licences (or as otherwise stated in the licence).</li> </ul>
Special generation licence – independent power producer (IPP) <sup>1</sup>	<ul style="list-style-type: none"> <li>- To generate electricity for sale.</li> <li>- To sell electricity only to electricity entities holding a standard generation licence (or as otherwise stated in the licence).</li> </ul>
Network licence	<ul style="list-style-type: none"> <li>- To operate the electricity network in the geographical area stated in the licence.</li> <li>- If stated in the licence, to connect the electricity network to another electricity network.</li> </ul>
Retail licence	<ul style="list-style-type: none"> <li>- To trade in electricity (where 'trade' means the buying and selling of electricity other than to final consumers).</li> <li>- To retail electricity to customers who own or occupy premises anywhere in the Territory (where 'retail' means the selling of electricity to specified groups of final consumers).</li> </ul>
Special licence – isolated system operations (ISO) <sup>2</sup>	<ul style="list-style-type: none"> <li>- To generate electricity at specified electricity generating plants.</li> <li>- To sell electricity to electricity entities holding a generation licence or a retail licence.</li> <li>- To sell electricity to customers, but only in respect of electrical installations or premises that are situated within specified locations.</li> </ul>

Licence type	Scope
	<ul style="list-style-type: none"> <li>- To own and operate an electricity network within specified geographic areas and connect that network to another specified electricity network.</li> </ul>
System Control licence <sup>3</sup>	<ul style="list-style-type: none"> <li>- To monitor, plan and control the operation of the power system with a view to ensuring the system operates safely and securely, including issuing directions to electricity entities engaged in the operation of the power system, or contribute electricity to, or take electricity from, the power system.</li> <li>- In May 2015, the Electricity Reform (Administration) Regulations were amended to prescribe operating a wholesale market as an operation for which a licence is required. The Regulations also define that an entity (Power and Water) licensed for system control is also licensed to operate a wholesale market in relation to that power system.<sup>4</sup></li> </ul>

- 1 An IPP licence is a 'cut down' version of a generation licence for those parties who do not wish to participate fully in the electricity supply market and instead generate electricity under contract for another generator.
- 2 An isolated system operations licence is a combination generation, network and retail licence for entities operating in remote locations, for example where a mining company supplies electricity to a nearby town that predominantly houses workers associated with the mine.
- 3 A system control licence is only issued where the power system is of sufficient size and complexity to warrant monitoring and control by an at arm's length system controller. In isolated communities with a single generator of electricity, management of system loads and frequency control is undertaken by the generator. Co-ordination of generation with third-party inter-connected networks would be a matter for normal commercial contractual arrangements.
- 4 In relation to the I-NTEM, System Control is the Market Operator responsible for wholesale trading arrangements between generators and retailers, registration of market participants, market settlements, and daily publication of market prices and other wholesale trading data.

The Electricity Reform (Administration) Regulations provide an exemption from the requirement to be licensed for some activities. Licences are not currently required for:

- small scale renewable and own-use generation and low volume sales of electricity; and
- on-supply of electricity, as long as the on-supplier complies with certain conditions.

The Commission may, with the approval of the Minister, grant an exemption from the requirement to be licensed.

As at 30 June 2016, the following exemptions were current:

- an exemption from the requirement to hold a licence with respect to its electricity operations in the township of Nhulunbuy and at the mine, issued to Pacific Aluminium Pty Ltd; and
- an exemption from the need to hold a licence as defined by the general small scale renewable energy operations exemption, issued to GPT RE Limited and Innogen Australia Pty Ltd.

## Application for New Licences

In May 2014, the Commission received an application from Northern Power for a standard generation licence in accordance with section 21 of the *Electricity Reform Act*. As at the end 2015-16, Northern Power's application was pending further information to be provided by the applicant.

On 11 December 2014, the Commission received applications from EDL NGD (NT) for retail and standard generation licences in accordance with section 23 and section 21 respectively, of the *Electricity Reform Act*. On 30 June 2016, the Commission issued licences to EDL NGD (NT) in accordance with Part 3 of the *Electricity Reform Act*.

Consistent with good regulatory practice, the Commission seeks comments on licence applications from market participants and relevant stakeholders as part of its consideration process of the applications.

## Request for Licence Exemptions

There were no requests for licence exemptions for the 2015-16 year. The Commission continued to provide advice to potential market participants on licencing requirements and processes in accordance with the *Electricity Reform Act* and Electricity Reform (Administration) Regulations.

## Licence Variations

On 30 June 2016, the Commission made a variation to the Special Licence (Independent Power Producer) of EDL NGD (NT) Pty Ltd to remove Pine Creek A power station following the issuing of a standard generation licence to EDL NGD (NT) Pty Ltd.

## Review of Retail Licences

The Commission undertook a review of existing retail licences beginning in 2014-15 to identify appropriate amendments required in consideration of developments in the electricity industry in the Territory, including structural separation of Power and Water, and to ensure the licences contain conditions that meet the requirements of the *Electricity Reform Act* and are consistent with good regulatory practice.

On 3 July 2015, the Commission published a Consultation Paper containing a template retail licence seeking submissions from stakeholders. The review is currently being considered in the context of other market reforms.

## Market Conduct Regulation

The Commission monitors the conduct and operations of the electricity supply industry and licensed entities. The Commission may also make codes and rules relating to the conduct or operations of the electricity supply industry or licensed entities, where authorised by legislation.

All electricity customers became contestable from April 2010. Full retail contestability means that all electricity customers in the Territory can contract with a licensed retailer.

---

Following the entry of additional electricity retailers, the Commission recognised the need to provide further guidance to market participants on the conduct of retail supply activities.

The Commission introduced an interim Electricity Retail Supply Code in August 2011. Amendments were made to the Code in 2013 following an application from QEnergy and extensive consultation by the Commission with key stakeholders. The amendments related primarily to credit support requirements, access to metering data and timeframes for customer transfers between retailers.

The purpose of the Electricity Retail Supply Code is to provide electricity market participants in the Territory with a regulatory instrument that sets out the framework and mechanisms for retail competition between retailers for customers while protecting the ongoing integrity of the market. The Electricity Retail Supply Code prescribes matters relating to arrangements:

- between electricity businesses for the transfer of customers between retailers;
- between generators and retailers including credit support and billing;
- between electricity businesses for business-to-business interactions;
- for a RoLR; and
- for dispute resolution between electricity businesses.

In October 2015, in accordance with section 24(6) of the *Utilities Commission Act*, notice was given to the Minister and relevant industry participants that the Commission intended to make a variation to the Electricity Retail Supply Code in light of the structural separation of Power and Water to assign Jacana Energy as the RoLR. No comments were received from licensees or stakeholders. The Code was amended to refer to Jacana Energy in the context of the RoLR, effective from 18 January 2016.

In March 2016, Power and Water made an application to the Commission for amendments to the Retail Supply Code due to substantial reform to the Territory's electricity sector, including the introduction of a wholesale market, structural separation of Power and Water and the entrance of new retailers.

In considering an amendment to the Code, the Commission noted that several issues are contingent on other developments in the wholesale market and the Government's electricity reform program. The Commission published a consultation paper in July 2016 that sets out the issues being considered. The Commission will undertake a consultation process, seeking submissions on Power and Water's requested amendments and other proposed amendments from licensees and stakeholders in 2016-17.

## **Power System Performance**

The Commission monitors standards and conditions of service and supply and the operations of the electricity supply industry and licensed entities. The Commission may also develop standards of service and supply, where authorised by legislation.

The Commission publishes an annual PSR, reporting on power system performance during the year, and providing an assessment of the adequacy of the power systems to meet forecast demand in the medium term.

---

Regular and comprehensive reporting on the power system, and distribution network performance and health is a feature of the electricity supply industry throughout Australia. Over a period of time, electricity businesses in other Australian jurisdictions have developed systems and processes for regular and comprehensive reporting of the power system and distribution network performance. The 2014-15 PSR continued the transition of reporting requirements in the Territory to be consistent with those of the NEM.

The PSR was released in June 2016 and continued to focus on actual system availability (generation and networks) to assess the security and reliability (dynamic performance) of the system, including voltage, forced outage rates and spinning reserve.

The Commission's overall objective for the annual PSR is to provide the following key information:

- data to support market participants to identify future options for augmentation and expansion of infrastructure to maintain security and reliability standards;
- credible and dependable medium and long-term forecasts of future supply and demand conditions under various scenarios;
- possible future generation, transmission and distribution capacity constraints (projected system adequacy for medium and long term), taking into account maintenance and outage plans;
- integration with the planning and maintenance management of infrastructure assets;
- analysis of generation, transmission and distribution performance data;
- adequacy of sources of fuel for electricity generation for the medium and long term;
- analysis of generation and networks reliability performance, and customer service performance information; and
- analysis of power system incidents and identification of underlying systemic issues.

## **Key Findings of the 2014-15 Power System Review**

### **Overall Power System Issues**

The Commission noted an overall improvement in the areas of:

- fuel supply;
- generator plant reliability;
- network sensitivity to disturbances;
- System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) target standards being met for transmission network and distribution networks;
- generation reliability in the Darwin-Katherine power system due to lower forced outage rates; and
- overall customer service.

The Commission noted issues have arisen post-structural separation of Power and Water related to communication and administrative processes among the newly separated entities, particularly in outage planning and maintaining adequate redundancy in generation and/or

---

network resources. The Commission observed some progress post 30 June 2015 and will continue to monitor developments in future reviews.

The Commission noted a gap post-structural separation in formal arrangements for independent planning for generation adequacy and that this is actively being considered by the Territory Government as part of its electricity reform program and the further development of wholesale market arrangements.

During 2014-15, the Commission noted a significant improvement in the power systems, particularly in the Darwin-Katherine power system, in terms of the number and severity of outages. The analysis and work undertaken by System Control and Territory Generation to investigate any incidents also improved significantly over this period.

The Commission commended the work undertaken by both System Control and Territory Generation, particularly in relation to voltage and frequency control issues and under frequency load shedding (UFLS) arrangements. The Commission recognised the significant work undertaken by both parties to address recommendations from various investigation reports, including the 12 March 2014 System Black investigation and the Commission's technical audit in 2014, which appears to have contributed to improved power system reliability.

The Commission noted that while the level of investigation and reporting on major system incidents have improved significantly, timeliness and monitoring of actions from investigation reports could be improved.

### **Maximum Demand and Energy Projections**

The Commission forecasts an average of 1.4% per annum maximum demand growth to 2024-25, a slight decrease from the previous year's projection. Maximum demand growth for Alice Springs and Tennant Creek is forecast at 0.14% and 2.8% per annum, respectively.

The percentage of households with a rooftop photovoltaic installation is projected to increase uniformly over the 10-year review period. By 2024-25, 29% of households are forecast to have rooftop photovoltaic installations in Darwin-Katherine, 34% in Alice Springs and 36% in Tennant Creek.

Energy demand is projected to increase in both Darwin-Katherine and Tennant Creek at 0.93% and 0.35%, respectively. Alice Springs is expected to have a decline in energy demand of 1.07% per annum over the 10-year review period.

---

## Generation Outlook

A review of load shedding events in 2014-15, found that all the power systems satisfied a generation response reliability standard of 0.002% per annum of expected unserved energy (EUE), the standard used in the NEM and the Western Australian Wholesale Electricity Market. Tennant Creek and Alice Springs both outperformed the standard.

The Darwin-Katherine power system had two load shedding events in 2014-15 associated with generation capacity reliability. This is a significant improvement from the 11 events recorded in 2013-14. Alice Springs and Tennant Creek power systems did not record any such events in 2014-15, compared to three events in Alice Springs and one event in Tennant Creek during the previous period.

The two Darwin-Katherine events were not related to generator breakdowns but the severity of one of the events resulted in the unserved energy far exceeding the generation capacity standard of 0.002% per annum. The Commission made the observation that a limitation of the projections of reliability may not account for these types of events and that these issues will need to be considered in future development of formal reliability standards for the Territory.

The responsibility for planning for generation adequacy in the Darwin-Katherine power system is still in development post-structural separation of Power and Water and is an issue being considered as part of the Territory's wholesale electricity market reforms.

## Fuel Supply

The Territory's gas system security is considered to be N-1 in the short to medium period, with an additional back-up arrangement from 2017 increasing gas system security to N-2 until 2022.<sup>6</sup>

The Commission recommends that a review of long-term gas supply arrangements should be undertaken in reflection of structural separation of Power and Water and the future commencement of the North Eastern Gas Interconnector pipeline.

## Network Outlook

There is sufficient network capacity to meet future demand for the 10-year review period however there exists a number of capacity concerns in zone substation and feeder loading, earthing on transmission towers, and tower grids on the 132kV Channel Island to Hudson Creek line and its protection systems.

The Commission noted progress on work done to reduce the likelihood of an outage of the transmission line loop between Hudson Creek, Palmerston, McMinns, Weddell and Archer substations.

Power and Water met its SAIDI and SAIFI targets for both transmission and distribution networks in 2014-15. Over the 2014-15 reporting period no feeders were found to be poorly performing.

## Customer Service

---

<sup>6</sup> N-X planning criteria allowing for full supply to be maintained to an area supply by the installed capacity of N independent supply sources, with X number of those sources out of service (with X usually being the units with the largest installed capacity)

The 2014-15 financial year was the first year of reporting by Power and Water, Territory Generation and Jacana Energy post-structural separation. The Commission understands that Power and Water continued to provide some call centre services to Jacana Energy as a transitional arrangement during the review period.

The Commission had previously observed a steady increase in the number of customer complaints and deteriorating responsiveness with respect to answering the telephone calls. This appeared to have greatly improved in 2014-15 through the efforts of Jacana Energy.

Timeframes for network re-connections and new connections improved in 2014-15.

The number of complaints relating to network quality of supply reduced in all regions other than Alice Springs where there was a small increase but the Commission considers that the number of complaints remains high and further effort is required to break down the category of complaints recorded as 'other' to understand the spread of issues.

## Price Regulation

The Commission regulates certain prices in the monopoly sectors of the Territory's electricity supply industry in accordance with relevant industry legislation.

### Transfer of Network Price Regulation and Network Access to the AER

As part of the Territory Government's Electricity Market Reform program, responsibility for network price regulation and oversight of network access in accordance with the *Electricity Networks (Third Party Access) Act* and Network Access Code was transferred to the AER, with effect from 1 July 2015.

### System Control Charges and Pricing of Ancillary Services

The Commission approves charges imposed by the System Controller and also has authority to determine prices for ancillary services to manage the quality of electricity supplied by the electricity supply industry.

The system control charges that applied during 2015-16 are those approved by the Commission with effect from 1 July 2004 and continue until superseded.

In May 2015, the Commission directed the System Controller to commence a review of ancillary services, including the adequacy of such services to ensure the system operates reliably, safely and securely. On completion of the review, the Commission intends to make a determination relating to the prices for providing ancillary services in accordance with section 22 of the *Utilities Commission Act* and section 3 of the Utilities Commission Regulations.

### System Imbalance Charges

The Commission is responsible for overseeing prices paid (or received) by third-party generators when purchasing (or selling) any mismatches between energy generated by such generators and the load attributable to end-use customers supplied by these generators. The System Controller, in consultation with licensed generators, is required to develop arrangements for settlement of any out-of-balance payments between generators, with the arrangements subject to the approval of the Commission.

---



## Electricity Pricing Orders

Caps on retail electricity prices paid by small customers, whether residential or commercial, are regulated directly by the Territory Government through an Electricity Pricing Order (EPO).

The Regulatory Minister issued the Uniform Tariff EPO applying to customers using less than 750 MWh of electricity each year in December 2015 for the period 1 January 2016 to 31 December 2016. The Commission is required to enforce compliance with an EPO as if it were a determination of the Commission under the *Utilities Commission Act*.

In July 2015, the Government revoked the EPO for customers using between 750 MWh and 2 GWh per annum to the extent that it applies to customers of those classes in the Darwin-Katherine region with effect on and from 1 August 2015.

The EPO from 1 January 2015 to 31 December 2015 continued to apply to customers outside of the Darwin-Katherine Region as defined in Schedule 2 to the *National Electricity (Northern Territory) (National Uniform Legislation) Act*. An EPO for this class of customers was not made for 2016.

## Technical Regulation

The Commission has various technical regulatory functions that it undertakes in the absence of a technical regulator in the Territory.

### Spinning Reserve

Spinning reserve refers to generation capacity available for rapid despatch should a generator fail, to avoid collapse of the power system. Spinning reserve is also known in the NEM as Frequency Control Ancillary Services. Appropriate levels of spinning reserve are required to maintain reliability of the system. Spinning reserve policy will be further developed taking into account the current market reform and the development of the wholesale market. In 2015-16, the Commission continued to encourage System Control to adopt systematic modelling techniques and improvements in the methodology of the calculation of spinning reserve.

### Standards of Service

Section 24 of the *Utilities Commission Act* and Regulation 2B of the Utilities Commission Regulations authorises the Commission to make a code relating to standards of service by licensed entities in the electricity supply industry. The Electricity Standards of Service Code establishes minimum standards of reliability, quality and customer service in the Territory electricity supply industry, requiring electricity licensees to report against these standards annually. The reported standards of service are used in Power and Water's Network Price Determination, and a key input in the Commission's annual Power System Review.

---

## Incident Reporting

Under the System Control Technical Code prepared by Power and Water and approved by the Commission, the System Controller is required to report power system incidents that occur within the parameters of the Code to the Commission. The Commission monitors incidents reported for compliance, and reports on trends in its annual Power System Review to encourage planning for a safe, secure and reliable power system.

## Network Technical Code and Network Planning Criteria

On 1 July 2015, the requirement for Power and Water to prepare and publish the Network Technical Code and Network Planning Criteria (NTC&PC) in consultation with the Commission was transferred to section 66A(2) of the *Electricity Reform Act*. The Commission approved Power and Water's NTC&PC in August 2013, finding it comparable to and containing the requirements generally accorded with similar technical documents in other jurisdictions. Reasonable allowance is made for appropriate network differences and complying with Clause 9(4) of the Network Access Code, for which responsibility transferred to the AER on 1 July 2015, at the time.

## Safety Management and Mitigation Plan

A Safety Management and Mitigation Plan (SMMP) is a licence condition for all generation and network licences issued by the Commission. The Commission considers the SMMP with consultation from the Electricity Safety Regulator, and provides comments to licence holders accordingly. The Commission considers the SMMP as a good representation of a licence holder's policies, procedures, systems and strategies to ensure the safety of employees, contractors and the public around electricity infrastructure. The Commission encourages licence holders to continually update and improve their plans to ensure it remains consistent with good electricity industry practice.

Territory Generation submitted its first SMMP in November 2015. In consultation with the Electrical Safety Regulator, the Commission approved Power and Water's 2015 SMMP and Territory Generation's first SMMP. The Commission noted that significant work had been undertaken by both Power and Water and Territory Generation to develop the SMMPs and the Commission provided suggestions to both for improvements to be made to the 2016 SMMPs.

## Complaint Investigation

Under section 48 of the *Electricity Reform Act*, the Commission must investigate complaints against any electricity entity made on the grounds that the entity is engaging in conduct contrary to the objects of the *Electricity Reform Act* or the *Utilities Commission Act*, unless the Commission reasonably believes the complainant is not, or unlikely to be, adversely affected by the alleged complaint, the complainant has not shown a genuine attempt to resolve the complaint with the electricity entity or the complaint is frivolous or vexatious.

During 2015-16, the Commission did not receive any formal complaints from parties in relation to licensed electricity entities.

---

## Advice to the Minister

The Commission provides independent advice to Government on matters such as utility pricing, access to infrastructure, service quality and security of supply.

Advice to the Minister can be provided:

- when the Minister refers a matter to the Commission for inquiry under Part 7 of the *Utilities Commission Act*. Inquiries conducted under Part 7 of the Act are public inquiries and the Commission's final report must be tabled in the Legislative Assembly; or
- when the Minister requests advice from the Commission in accordance with section 6(1)(g) of the *Utilities Commission Act*. The Minister may include a requirement in the terms of reference that the reports setting out the Commission's findings and recommendations remain confidential to Government.

The Commission is also empowered to provide advice to the Minister at its own initiative on the operation of the *Electricity Reform Act*.

In August 2015, the Commission completed a review, requested by the Minister, on regulated retail tariffs and associated community service obligation arrangements.

At the request of the Minister, the Commission also undertook a review of the customer protections that may be suitable for small to medium electricity customers in the Territory.

---

## Chapter 5: Water Supply and Sewerage Services

The Commission is responsible for certain regulatory functions in the water supply and sewerage services industries.

The *Water Supply and Sewerage Services Act* regulates the water supply and sewerage services industries to:

- promote the safe and efficient provision of water supply and sewerage services;
- establish and enforce standards of service in water supply and sewerage services;
- facilitate the provision of financially viable water supply and sewerage services; and
- protect the interests of customers.

The *Water Supply and Sewerage Services Act* and the Administrative Arrangements Order allocate ministerial responsibility for the *Water Supply and Sewerage Services Act* as follows:

- the Minister for Essential Services for 'provisions about supply and service provision under licence';
- the Treasurer for 'provisions about economic regulation'; and
- the Minister for Health for 'provisions about water quality standards'.

The Commission is assigned specific functions relating to economic regulation and the Department of Health is responsible for sections relating to water quality standards.

### Roles and Functions of the Commission

The Commission's regulatory role in the water supply and sewerage services industries is more limited than its role in the electricity supply industry.

The Commission's activities relate mainly to licensing and some compliance monitoring, although, the Minister may assign some price monitoring functions and the Minister for Essential Services may assign some service standard monitoring functions to the Commission under their respective authorities.

In addition, the *Water Supply and Sewerage Services Act* requires Power and Water to develop a Water Metering Code and a Trade Waste Code, with the Codes subject to approval by the Commission.

The Commission has the following functions in the water and sewerage industry:

- licensing;
  - to monitor and enforce licensees' compliance with the *Water Supply and Sewerage Services Act*, the terms and conditions of their licence and the minimum standards; and
  - to advise the Minister on any matter referred by the Minister.
-

## Licensing

The Commission issues licences to persons wishing to carry on operations in the Territory's water supply and sewerage services industries under a sole supplier model.

Specific geographical areas may be declared by the Minister, by way of a notice in the Gazette, to be a water supply or sewerage service licence area pursuant to sections 8 and 9 of the *Water Supply and Sewerage Services Act*.

A licence is required for the provision of water supply services and sewerage supply services within an area gazetted under the *Water Supply and Sewerage Services Act*.

For each water supply or sewerage service within a gazetted licence area, the Commission may only grant a single licence for each of the relevant services provided. The Commission is not empowered to issue licences for service provision that takes place outside a water or sewerage licence area.

The Commission must make a water supply or sewerage services licence subject to conditions approved by the Minister.

As at 30 June 2016, Power and Water held two licences under Part 2 of the *Water Supply and Sewerage Services Act*.

- water supply; and
- sewerage services.

A general exemption from the need to hold a licence is also in effect for persons on-supplying water services within prescribed licence areas. This is conditional on the person having been granted the approval of the licensee of the water supply licence area to perform on-supply operations in the water supply licence area.

There were no applications for water or sewerage licences or exemptions and no variations applied for or made to the terms and conditions of existing licences during the year. During the year, the Commission engaged with Power and Water and other stakeholders regarding possible changes to the licences and clarification of various licence and regulatory arrangements.

## Service Performance

The Commission has no role in developing service standards in the water and sewerage industry.

Minimum standards that a licensee must meet in providing water supply and sewerage services to customers may be set by the Minister for Essential Services in accordance with section 45 of the *Water Supply and Sewerage Services Act*.

---

## Price Regulation

Water and sewerage prices paid by customers, whether residential or commercial, are regulated by the Territory Government via a Water Supply and Sewerage Services Pricing Order (WSPO) made under section 60 of the *Water Supply and Sewerage Services Act*.

On 22 December 2015, a WSPO was issued to regulate prices for water supply and sewerage services from 1 January 2016 to 31 December 2016.

The Commission is required to enforce compliance with the WSPO as if the order were a determination of the Commission under the *Utilities Commission Act*. During 2015-16, the Commission provided advice to stakeholders on the operation of the WSPO.

## Water Supply and Sewerage Services Asset Management Plan

Power and Water is required to maintain and implement an asset management plan and submit an updated copy of the plan to the Commission each year. The Commission considers that the asset management plans are useful tools for monitoring and planning for the efficiency and effectiveness of future capital investment.

In November 2015, Power and Water submitted asset management plans for the major centres – Darwin, Katherine, Tennant Creek, Alice Springs and Yulara. Asset plans for the minor centres are expected to be submitted to the Commission in September 2016.

## Advice to the Minister

During 2015-16, the Commission did not receive any requests from the Minister for advice in relation to water supply and sewerage services.

---

## Chapter 6: Port Access and Price Regulation

On 22 May 2015, the *Ports Management Act* was assented to provide for the control, management and operation of ports, and for related purposes. The *Ports Management Act*, among other things, establishes the Commission as regulator for port access and price regulation once a private port operator is appointed to a declared port.

The ports access and price regulation regime is established and defined by the *Ports Management Act* and Ports Management Regulations (the Regulations). The Commission is the regulator for Part 11 (Port Access and Pricing) of the *Ports Management Act* and regulates services prescribed in the Regulations provided by a private port operator of a designated port.

The Commission commenced its role in port access and price regulation of the Port of Darwin on 16 November 2015 upon appointment of Darwin Port Operations Pty Ltd as the private port operator.

The services regulated by the Commission, as prescribed by Regulation 12 are:

- a) providing, or allowing for, access for vessels to the designated port;
- b) providing facilities for loading or unloading vessels at the designated port;
- c) providing berths for vessels at the designated port;
- d) providing, or facilitating the provision of pilotage services in a pilotage area within the designated port; and
- e) allowing entry of persons and vehicles to any land on which port facilities of the designated port are located.

The Commission's role in port regulation was established with the intention of being a light-handed regulatory regime. The Commission is required to review the port access and pricing regime in accordance with section 123 of the *Ports Management Act* in three years from the appointment of a private operator, and in each successive five-year period thereafter.

### Price Regulation

The *Ports Management Act* and Regulations establish a framework for the Commission to make a determination relating to the charges fixed by a port operator in relation to the provision of the prescribed services. The Regulations provide that the determination must use price monitoring of the price levels of a prescribed service as the form of price regulation.

### Price Determination

In December 2015, the Commission released a draft determination made under section 132 of the *Ports Management Act* and section 20(1)(a) of the *Utilities Commission Act*, relating to the charges fixed by Darwin Port Operations Pty Ltd for the delivery of prescribed services at the Port of Darwin.

---

Public comment was sought from stakeholders, with the Commission receiving two submissions. A submission was received from the Department of Treasury and Finance, and another submission was identified by the submitting stakeholder as commercial-in-confidence.

The final determination was issued on 16 February 2016 relating to the charges fixed by Darwin Port Operations Pty Ltd for the provision of prescribed services at the Port of Darwin and the manner in which the Commission will monitor those prices.

The determination sets out the basis on which the Commission intends to monitor price levels. In accordance with Regulation 16(2)(b) the determination notes methods such as benchmarking or annual price increases linked to an indexation factor, will be used to monitor prices.

The determination is the first for the Port of Darwin under the *Ports Management Act* and is for a term of three years from the date of commencement. Among other things, the determination requires Darwin Port Operations Pty Ltd to submit an annual report relating to its charges for prescribed services to the Commission by 30 September each year, for the financial year immediately preceding.

Section 23 of the *Utilities Commission Act* empowers the Commission to enforce a determination. Section 121 of the *Ports Management Act* also requires the Commission to report annually to the Minister on any instances of non-compliance with a determination by a private port operator. The report is required to be tabled in the Legislative Assembly. For the 2015-16 year, there were no instances of non-compliance reported.

As at 30 June 2016, an Access Policy for the Port of Darwin was still being finalised in accordance with the legislative requirements of the *Ports Management Act* and Regulations.

### **Statement of Approach on Price Monitoring**

In 2016, the Commission worked on developing a draft Statement of Approach to Price Monitoring to assist in informing the private port operator and relevant stakeholders on the Commission's intended approach to price regulation.

The Commission will consult on the draft Statement of Approach to Price Monitoring upon finalisation of the Access Policy for the Port of Darwin.

### **Port Access Regulation**

Part 11, Division 2 of the *Ports Management Act* provides a framework for the private port operator to prepare and submit an access policy to the Commission for approval. The private port operator is required by legislation to comply with its access policy.

The private port operator is obliged to report to the Commission each year on instances of material non-compliance with the private port operator's access policy. The Commission reports to the Minister each year on instances of material non-compliance with a private port operator's access policy or the Commission's determination.

---



## Access Policy

The access policy provided by the port operator and approved by the Commission aims to provide a framework for port users requesting access to prescribed services, the approach to be taken by the private port operator in determining access and the terms on which access will be provided at the Port of Darwin.

On 10 March 2016, Darwin Port Operations Pty Ltd submitted a draft access policy to the Commission. The Commission consulted with stakeholders and received two confidential submissions from interested parties.

As of 30 June 2016, the Commission was considering submissions received and proposed amendments to the draft access policy, and will consult further with the private port operator and stakeholders.

## Review of the Regime

The Commission is required to review the port access and pricing regime in accordance with section 123 of the *Ports Management Act* in three years from the appointment of a private operator, and in each successive five-year period thereafter.

In undertaking a review, the Commission will take into account the access and pricing principles specified in section 133 of the *Ports Management Act* and consider if there is an ongoing need for regulatory oversight, and whether there is a requirement to alter the form of regulatory oversight. These include whether the price of prescribed services is expected to generate revenue sufficient to meet efficient costs of providing the service and the functions of the Commission in accordance with section 6(2) of the *Utilities Commission Act*. This section requires the Commission to have regard to the need to promote economic efficiency, ensuring an appropriate rate of return on regulated industries and the interests of consumers.

---

## Chapter 7: Compliance Monitoring

The Commission is required under the *Utilities Commission Act* to monitor and enforce compliance by licensed electricity entities with regulatory instruments – legislation, licences, codes and guidelines.

### Compliance Framework and Reporting

#### Electricity

In addition to licence conditions and applicable laws, licensed electricity entities are obliged to comply with applicable codes, rules, protocols and standards, and to notify the Commission of a material breach as soon as reasonably practicable after becoming aware of the breach occurring.

The following codes made by the Commission were in effect, as at 30 June 2016:

- Electricity Standards of Service Code, which establishes a process by which generation, networks and retail licence holders report against set performance indicators. In addition, the Code provides a process for setting targets for network service providers. In 2013, the Commission approved distribution and transmission network performance target standards applicable to Power and Water from 1 July 2014 to 30 June 2019.
- Energy Loss Factors Code, which sets out the high-level principles underlying the calculation of the energy loss factors to be used by the System Controller in determining out-of-balance energy supplied or demanded by generators operating in the Territory's electricity supply market.
- Guaranteed Service Level (GSL) Code, which establishes a guaranteed service level scheme providing for GSL payments to be made by a network provider to small customers where the supply of electricity and other related services does not meet the pre-determined guaranteed service levels.
- Electricity Retail Supply Code, which provides the framework and mechanisms for retail competition between retailers for contestable customers.
- Electricity Ring-fencing Code, which aims to ensure monopoly businesses in regulated industries affiliated to contestable businesses do not discriminate against a competitor of that affiliated business: financially or competitively advantage that affiliated business, or financially or competitively advantage that affiliated business to the detriment of a competitor of that affiliated business.

The following codes developed by Power and Water and approved by the Commission were in effect, as at 30 June 2016:

- System Control Technical Code, which sets out the System Controller's competitively neutral operating protocols, arrangements for system security and system dispatch, as well as arrangements for the interruption of supply and investigation, and reporting of power system incidents. The Code also provides the rules for the I-NTEM.
-

- NTC&PC, which specifies the technical performance requirements of the network and the requirements for coordination between network users and the network operator to achieve these, was a Code prepared by Power and Water in consultation with the Commission under the Network Access Code, a schedule to the *Electricity Networks (Third Party Access) Act*. Following the transfer of network access and pricing functions to the Australian Energy Regulator on 1 July 2015, approval of the NTC&PC under section 66A of the *Electricity Reform Act* requires Power and Water to consult with the Commission and the AER in making or amending the NTC&PC.

## Water Supply and Sewerage Services

In addition to licence conditions and applicable laws, licensed water and sewerage entities are obliged to comply with applicable codes, rules, protocols and standards, and to notify the Commission of becoming aware of a material breach of any applicable regulatory instrument.

The following Codes developed by Power and Water and approved by the Commission are in effect:

- Water Metering Code, approved by the Commission in July 2006, which sets out the arrangements and conditions for installing, testing, verifying and replacing meters owned by the licensee and that must be in accordance with guidelines published by the National Standards Commission (now the National Measurement Institute).
- Trade Waste Code, approved by the Commission in December 2001, which sets out the conditions on which the licensee will approve trade waste discharged into the licensee's sewerage services infrastructure.

## Ports

The ports access and price regulation regime is established and defined by the *Ports Management Act* and Ports Management Regulations. The Commission is the regulator for Part 11 (Port Access and Pricing) of the *Ports Management Act*, and regulates services prescribed in the regulations by a private port operator of a designated port through the *Utilities Commission Act*.

As of 30 June 2016, the following instrument was in effect:

- Final Price Determination in accordance with section 132 of the *Ports Management Act* and section 20(1)(a) of the *Utilities Commission Act*, which sets out the basis upon which the Commission intends to monitor price levels.

In 2015-16, the Commission also received a draft Access Policy from the private port operator Darwin Port Operations Pty Ltd. The Access Policy aims to provide a framework for port users requesting access to prescribed services, the approach to be taken by the private port operator in determining access, and the terms on which access will be provided at the Port of Darwin. As of 30 June 2016, the Commission was considering submissions received and proposed amendments to the draft access policy and will consult further with the private port operator and interested parties. Upon the Commission's approval of an Access Policy, the private port operator must comply with its Access Policy.

---

---

## Compliance Framework and Reporting Guidelines

Good compliance practice means that an organisation is able to demonstrate its commitment to compliance with relevant laws, including legislative requirements, industry codes and organisational standards as well as standards of good corporate governance, ethics and community expectations. It enables an organisation to identify deficiencies and take action before problems eventuate. The Commission uses the guiding principles of voluntary compliance, a risk-based approach, education and communication, transparency, consistency and flexibility, and continuous improvement in developing its compliance framework.

In October 2015, following extensive consultation with licensees on draft Compliance Framework and Reporting Guidelines released in July 2015, the Commission published Compliance Framework and Reporting Guidelines, which confirmed the condition of licences to provide a Compliance Report to the Commission at reasonable intervals determined by the Commission. The Guidelines required that an annual Compliance Report be provided to the Commission by 31 August each year with a declaration of responsibility from the Board of the licensee:

- that the licensee maintains an appropriate compliance framework that complies with the requirements of its licence as set out in the Compliance Framework and Reporting Guidelines; and
- the licensee has complied with all licence obligations during the immediately preceding financial year, with the exception of those non-compliances listed in the Compliance Report.

For the 2014-15 reporting year, the Commission extended the date for submission of the reports to 30 November 2015. The breaches reported in the 2014-15 compliance reports and the Commission's subsequent response is discussed below.

In February 2016, the Commission amalgamated the Compliance Framework and Reporting Guidelines with the Statement of Approach on Compliance into a single document.

The final Compliance Framework and Reporting Guidelines outline the Commission's compliance program for monitoring adherence with electricity laws, rules, and regulations. It contains the Commission's risk assessment methodology, monitoring and reporting mechanisms, and enforcement options in response to regulatory breaches.

The objectives set out in the final Compliance Framework and Reporting Guidelines are to:

- communicate to regulated entities and industry participants the Commission's compliance objectives and expectations in relation to regulatory compliance;
  - communicate to regulated entities the value of adopting and endorsing a compliance framework to ensure compliance with the legislative framework;
  - inform regulated entities, industry participants and stakeholders about compliance monitoring and reporting; and
  - clarify the enforcement and disciplinary process in cases of non-compliance.
-

## Compliance Reporting in 2015-16

### Annual Licence Returns

Power and Water, Territory Generation, Jacana Energy, QEnergy, Rimfire and ERM lodged returns for the 2015-16 financial year for their respective licensed areas of operation.

For those entities for which activities in the regulated industries are more limited, licence returns are not required to contain the same level of detail as those necessary from standard licence holders. The following electricity licensees also lodged returns for the 2015-16 financial year for their licensed areas of operation:

- EDL;
- Central Energy Power Pty Ltd;
- Cosmo Power Pty Ltd;
- Energy Resources of Australia Ltd;
- Landfill Management Services Pty Ltd;
- GEMCO;
- Uterne Power Plant Pty Ltd; and
- TKLN Solar Pty Ltd.

No substantive issues arose as a consequence of the 2015-16 licence returns.

On 30 June 2016, the Commission issued licences for the selling and generation of electricity to EDL NGD (NT) Pty Ltd in accordance with Part 3 of the *Electricity Reform Act*.

### Annual Compliance Reports

In November 2015, Power and Water, Territory Generation, Jacana Energy, QEnergy, Rimfire and ERM lodged an Annual Compliance Report for the 2014-15 financial year. For 2014-15, the Commission did not require Power and Water to lodge a Compliance Report in relation to its retail and generation operations. The Commission also worked with licensees to review their register of regulatory compliance obligations.

In June 2016, the Commission published a Compliance Report providing a summary of all of the Compliance Reports it received relating to 2014-15. Key findings in the Commission's Compliance Report include:

- Power and Water reported nine breaches of regulatory obligations, seven of which related to 2014-15 and two related to 2015-16.
  - Three of the breaches reported by Power and Water were considered by the Commission to be material. Power and Water did not report the breaches to the Commission in a timeframe that the Commission would reasonably consider appropriate in accordance with the Commission's Compliance Framework and Reporting Guidelines.
-

- 
- Eight of the breaches reported by Power and Water were not initially voluntarily identified by Power and Water.
  - Two breaches were reported in relation to section 48 of the *Water Supply and Sewerage Services Act* and the provision of asset management plans to the Commission.
  - A further material breach by Power and Water of the 2014 Network Price Determination was identified in March 2016 that related to the 2014-15 financial year. The process of identification and reporting of the breach by Power and Water is currently being reviewed by the Commission.
  - The Commission reviewed the list of regulatory compliance obligations provided by licensees as part of the Compliance Report process, and undertook a high-level review of Power and Water's register of obligations.
  - The Commission noted several regulatory instruments that appeared to have not been identified or risk assessed by Power and Water or that the Commission considered further risk assessment and identification of appropriate management controls were required. The results of the Commission's review were provided to Power and Water in April 2016.
  - The Commission considered improvements need to be made to Power and Water's compliance framework and reporting processes and would continue to monitor the development of Power and Water's compliance framework and its appropriate application.
  - Jacana Energy reported one administrative breach of a non-material nature and one material breach of the Electricity Pricing Order. Jacana Energy had reported the material breach in accordance with the Commission's Compliance Framework and Reporting and advised of the intended remedial actions including steps taken to investigate the extent and cause of the non-compliance.
  - Rimfire Energy reported one administrative breach of a non-material nature.
  - No breaches were reported from the remaining licensees.
  - The Commission also reviewed the list of regulatory obligations provided by Territory Generation, Jacana Energy, ERM Power Retail Pty Ltd, QEnergy Limited and Rimfire Energy Pty Ltd, and considered them to be sufficiently detailed and adequately assessed.

## Compliance Audits

Licensed entities are required to undertake compliance audits when requested by the Commission as a condition of the licence. Upon reasonable notice to a licensee, the Commission may require the licensee to appoint an independent auditor, or the Commission may appoint an independent auditor to undertake a compliance audit.

## Compliance by ERM

The Commission did not require ERM to undertake a compliance audit in 2015-16.

---

### **Compliance by Jacana Energy – Internal Audit**

The Commission did not require Jacana Energy to undertake a compliance audit in 2015-16.

In 2016-17, the Commission will require Jacana Energy to appoint an independent auditor to assess whether it had established an adequate compliance framework in accordance with ISO 19600:2015 or equivalent.

### **Compliance by QEnergy**

The Commission did not require QEnergy to undertake a compliance audit in 2015-16.

### **Compliance by Rimfire**

The Commission did not require Rimfire to undertake a compliance audit in 2015-16.

### **Compliance by Territory Generation – Internal Audit**

In 2015-16, the Commission required Territory Generation to appoint an independent auditor to assess whether it had established an adequate compliance framework in accordance with ISO 19600:2015 or equivalent. This review was being finalised as at 30 June 2016.

### **Power and Water Compliance Audit**

In October 2015, the Commission required Power and Water to appoint an independent auditor to assess compliance with specific regulatory obligations, assessing Power and Water's compliance with the Guaranteed Service Levels Code and the Electricity Standards of Service Code in 2014-15.

In 2015-16, in response to issues that had been raised in the annual compliance reporting process, the Commission appointed PricewaterhouseCoopers to undertake a specified procedures review of Power and Water's compliance with the 2014-19 Network Price Determination. As at 30 June 2016, the review was still being finalised. The Commission will publish findings from the review in its 2016 Annual Compliance Report or as a standalone report.

---

## Chapter 8: Stakeholder Consultation

The Commission is committed to a collaborative and cooperative approach to regulation. The Commission will consult with interested parties and stakeholders to promote transparency and accountability in its decision-making process and exercising its regulatory functions under the *Utilities Commission Act*, *Electricity Reform Act*, *Water Supply and Sewerage Services Act*, *Ports Management Act* and associated legislation.

More specifically, the Commission may make codes and rules for regulated industries. As part of this process, the Commission is required to:

- consult the Minister, representative bodies and participants in the regulated industry;
- give notice of the making, variation or revocation of a rule or code to the Minister and to each licensed entity to which the rule or code will apply; and
- ensure copies of the rule or code are made available for inspection by the public.

The Commission will consult if it is deemed necessary, desirable or convenient, to carry out any of its functions. This includes:

- any inquiry and matter referred to the Commission by the Minister (consistent with the relevant terms of reference) under the *Utilities Commission Act*,
- publishing statements, reports and guidelines relating to the performance of the Commission's functions; and
- making a determination in respect of a regulated industry as authorised by a relevant industry regulation Act or by regulations under the *Utilities Commission Act*.

During 2015-16, the Commission consulted on a number of matters including a review of retail licenses, variations to the Electricity Retail Supply Code, Compliance Framework and Reporting Guidelines, and a Price Determination and Access Policy for prescribed services at the Port of Darwin.

For a full list of the submissions received by the Commission over the year, refer to Appendix F.

---



## APPENDIX A: Commission Meetings and Out-of-Session Decisions

During 2015-16, the Commission held the following meetings and out-of-session considerations.

Date	Commission Meeting or Out-of-session Decision
July 2015	Out-of-session decision No. 8 of 2015: Approval of Draft Guidelines and Determination for the Port of Darwin
August 2015	Commission Meeting No. 5 of 2015 – Teleconference
September 2015	Out-of-session decision No. 9 of 2015: Approval of Final Report on Regulated Retail Pricing
September 2015	Commission Meeting No. 6 of 2015 – Teleconference
September 2015	Commission Meeting No. 7 of 2015 – Melbourne
November 2015	Commission Meeting No. 8 of 2015 – Teleconference
December 2015	Commission Meeting No. 9 of 2015 – Darwin
December 2015	Out-of-session decision No. 10 of 2015: Approval of Draft Port Price Determination and Access Reporting Guidelines for Consultation
February 2016	Commission Meeting No. 1 of 2016 – Teleconference
March 2016	Out-of-session decision No. 1 of 2016: Approval of Draft Darwin Port Access Policy for Consultation
March 2016	Commission Meeting No. 2 of 2016 – Darwin
May 2016	Out-of-session decision No. 2 of 2016: Approval to engage consultant for review of Power and Water compliance with 2014 Network Price Determination
May 2016	Commission Meeting No. 3 of 2016 – Teleconference
June 2016	Commission Meeting No. 4 of 2016 – Darwin
June 2016	Out-of-session decision No. 3 of 2016: Compliance Report 2014-15
June 2016	Out-of-session decision No. 4 of 2016: Power System Review 2014-15

## APPENDIX B: Expenditure and Receipts

The Commission is established as a separate administrative unit within the Department of Treasury and Finance (DTF). The Commission does not separately compile its own financial statements, but its activities are included in the consolidated financial statements provided in DTF's Annual Report.

This appendix publishes the expenditures of the Commission funded directly from consolidated revenue, as well as the associated receipts.

### Expenditure by category of cost

Category of cost	2014-15 \$000	2015-16 \$000
<b>PERSONNEL COSTS</b>	<b>493.9</b>	<b>406.1</b>
<b>OPERATIONAL EXPENDITURE</b>	<b>695.7</b>	<b>766.4</b>
Regulatory/Commission expenses	206.3	220.4
Expert advice (including legal)	469.1	506.6
Official travel, accommodation and related expenses	5.8	29.9
Recruitment and staff training	5.3	5.0
Office expenses and administration	9.2	4.5
<b>TOTAL EXPENDITURE</b>	<b>1 189.5</b>	<b>1 172.5</b>

Account	2014-15 \$000	2015-16 \$000
<b>FEES AND CHARGES</b>		
Licence application fees	2.0	-
Electricity licence fees	396.4	428.4
Water and sewerage licence fees	50.0	50.0
<b>TOTAL REVENUE</b>	<b>448.4</b>	<b>478.4</b>

Note: Section 19 of the *Utilities Commission Act* provides that, unless otherwise directed by the Minister, fees and other monies received by the Commission are paid into the Consolidated Revenue Account. No such direction has been issued.

The licence fee schedule was approved by the Minister effective 1 July 2013, to reflect a reasonable contribution towards administrative costs of the Commission.

## **APPENDIX C: Advisers to the Commission**

In 2015-16, the Commission used the services of the following consultants.

The costs for the year totalled \$506 583 compared with \$469 110 in the previous year. This expenditure includes legal fees paid to external legal advisers.

The Commission engaged consultants to assist it to undertake its 2015-16 work program, which included the 2014-15 PSR, review of retail licences, and other market development and technical advice.

### **Consultants**

#### **PricewaterhouseCoopers**

The Commission engaged PricewaterhouseCoopers to conduct a review of Power and Water's compliance with the 2014-19 Network Price Determination.

#### **Entura**

The Commission received advice relating to the 2014-15 PSR.

### **Legal Advice**

The Commission received legal advice on a number of issues relating to licencing and regulatory reform, and in its role as the economic regulator for the ports industries commencing in November 2015.

---

## APPENDIX D: Decisions in 2015-16

During 2015-16, the Commission made the following decisions:

Decision	Type	Date of decision	Expires
Power and Water 2015 Safety Management and Mitigation Plan	Approval	August 2015	Not applicable
Compliance Framework and Reporting Guidelines – Final	Approval	August 2015	Not applicable
Final report on regulated retail pricing and associated CSO arrangements to the Minister	Approval	September 2016	Not applicable
Statement of Approach on Compliance and Reporting Guidelines – Amalgamation	Approval	December 2015	Not applicable
Electricity Retail Supply Code	Variation	January 2016	Until revoked or superseded
Final Price Determination for prescribed port services for the Port of Darwin	Determination	February 2016	15 February 2019
Final Compliance Framework and Reporting Guidelines	Approval	February 2016	Until revoked or superseded
Consultation on the Draft Access Policy for the Port of Darwin	Approval	March 2015	Not applicable
Engagement of PricewaterhouseCoopers Australia for specified procedures review relating to 2014 Network Price Determination	Approval	May 2016	Not applicable
Power System Review 2014-15	Approval	June 2016	Not applicable
Annual Compliance Report	Approval	June 2016	Not applicable
Approval of licences for retail and generation for EDL NGD NT (Pty Ltd)	Approval	June 2016	Until revoked or surrendered

---

## APPENDIX E: Publications and Reports

During 2015-16, the Commission published the following reports and documents:

Date released	Publication
October 2015	2014-15 Utilities Commission Annual Report
February 2016	Final Compliance Framework and Reporting Guidelines
June 2016	2014-15 Power System Review
June 2016	Annual Compliance Report

These publications can be viewed on the Commission's website: [www.utilicom.nt.gov.au](http://www.utilicom.nt.gov.au)

---

## APPENDIX F: SUBMISSIONS

During 2015-16, the Commission received the following submissions to consider:

Date released	Publication
October 2015	Compliance Framework and Reporting Guidelines – Submission from Jacana Energy
October 2015	Compliance Framework and Reporting Guidelines – Submission from Power and Water Corporation
October 2015	Compliance Framework and Reporting Guidelines – Submission from Territory Generation
October 2015	Compliance Framework and Reporting Guidelines – Submission from licensee withheld upon request
January 2016	Draft Price Determination for provision of prescribed services at the Port of Darwin – submission from Department of Treasury and Finance
January 2016	Draft Price Determination for provision of prescribed services at the Port of Darwin – submission from stakeholder withheld upon request
April 2016	Consultation on Draft Access Policy submitted by Darwin Port Operations Pty Ltd – submission from stakeholder withheld upon request
April 2016	Consultation on Draft Access Policy submitted by Darwin Port Operations Pty Ltd – submission from stakeholder withheld upon request
May 2016	Application from Power and Water Corporation to amend the Electricity Retail Supply Code

Published submissions can be viewed on the Commission's website: [www.utilicom.nt.gov.au](http://www.utilicom.nt.gov.au)