

# NT Electricity Licensing Regime Review (Stage 2)

Submission by: Power and Water Corporation

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# Contents

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<b>1   Overview</b>	<b>3</b>
2   Standard Administrative Conditions – All licences	4
3   Standard General Conditions – All licences	4
4   Standard Conditions – Retail licences	5
5   Standard Conditions – Generation licences	6
6   Standard Conditions – Network licences	7
7   Form of electricity supply licences	7

## 1 | Overview

Power and Water appreciate the opportunity to provide input into reviewing the Northern Territory's electricity licensing regime. We have diligently gathered feedback from various stakeholders within the business, and we present here a consolidated response that reflects our perspectives and concerns.

Generally, Power and Water supports the Commission's proposals but has made some comments for the Commission's consideration throughout our submission. These comments contain recommendations that Power and Water believe could be helpful for the Commission's review.

We want to commend the Commission for the way they are approaching this reform and thank you for this opportunity to help inform the future state of the electricity industry. Power and Water also looks forward to assisting the Commission in the next steps of this review, which we understand will focus on updating the Compliance Framework and Reporting guidelines.

## 2 | Standard Administrative Conditions – All licences

### Question 1

Do stakeholders have feedback and comments on the proposed standard administrative conditions?

Power and Water notes that the key change to standard administrative conditions is the inclusion of the addition of a reference to the Market Operator and market operations in relation to the condition on licence fees and other charges. Power and Water understands the need for this change and is supportive.

## 3 | Standard General Conditions – All licences

### Question 2

Do the proposed conditions appropriately reflect and address the risks and accommodate the benefits of contracting out operations covered by a licence?

Power and Water supports the Commission's approach to adopt a strategy aligned to that in the Australian Capital Territory, Tasmania and Victoria. This approach:

- includes licence conditions that acknowledge scenarios where licensees engage third parties to perform the operations covered by their licence; and
- aligns with the International Standard for Compliance Management Systems (ISO 37301).
- reflects the reality of modern power plant development and operations, while supporting innovation in the market.

### Question 3

Do the proposed changes improve transparency on requirements and apply reasonable timeframes for the provision of information? Is there other information the Commission should consider including in the conditions?

Power and Water understands the need to apply timeframes for the provision of information and agrees in-principle with the Commission's proposed risk based approach. We note this includes incremental timeframes for notifying of specific events and information as below:

- 20 business days for notifying of changes in officers and shareholders;
- 10 business days for a changes in the identity of any operating contractor and/or a change to the financial or technical capacity of the licensee or an operating contractor; and
- 2 business days for external administration, dissolution or a resolution.

While events of external administration, dissolution or a resolution may be rare, Power and Water recommend this remains in alignment with timeframes for reporting material non-compliance. This would allow for streamlined reporting processes and associated training. As discussed in more detail in Power and Water's response to question 5, Power and Water recommend this timeframe is set to 5 business days to align with reporting material non-compliance to the Australian Energy Regulator.

In relation to other information the Commission should consider including, Power and Water recommend further definition of what constitutes a change in financial capacity. This will likely differ between licensee's and may lead to challenges with the interpretation and subsequent over or under reporting. Further definition related to a potential participant default, would assist in managing the impacts to other market participants. This could include the licensee having to notify the Commission of payments not made by the due date or inability to meet their financial obligations within the NT electricity market.

**Question 4**

Do the proposed conditions clearly and sufficiently set out the types of regulatory instruments that licensees must comply with?

Power and Water note the key change to this clause includes defining “applicable laws”, removing references to specific code names and reference to safety obligations. Further, Power and Water is supportive of the Commission’s proposal to comply with any guideline made under a code, or the Utilities Commission Act. These changes reflect current legislative and regulatory frameworks and provide sufficient clarity on the types of regulatory instruments that licensees must comply with.

**Question 5a**

Do the proposed changes improve transparency on requirements and apply reasonable timeframes for the provision of information on instances of non-compliance?

Power and Water agree that compliance best practice requires a licensee to notify the Commission as soon as possible once aware of a material breach. Further, providing expectations on timeframes and required information ensures consistency and is intended to make the requirement transparent. Power and Water agree with this approach in-principle; however, Power and Water recommend the Commission consider aligning with the Australian Energy Regulator (AER) timeframes for reporting non-compliance. Under the *National Electricity Rules*, Power and Water is required to report all non-compliance to the AER within 15 business days of becoming aware. This reporting is via standard reporting templates, which allows the AER to assess initial data in a timely manner. In the 2022 review of the *AER Compliance Reporting Best Practice Manual*, the AER has removed requirements for 5 day reporting of material incidents in place of 15 days for all non-compliance. Noting this approach may not be suitable for the Commission at this time, alternatively, Power and Water recommend requirements for licensee’s to report material non-compliance as soon as possible, once aware, with a 5 business day limit on written notification. Alignment across jurisdictions can reduce complexity in both compliance processes and training, enabling higher levels of compliance.

**Question 5b**

Is there other information the Commission should require in relation to a material breach?

Power and Water appreciate the guidance provided by the Commission in the *Compliance Framework and Reporting Guideline* and have no further suggestions for improvement.

## 4 | Standard Conditions – Retail licences

**Question 6**

Do stakeholders have any comments or feedback on existing licence conditions that are proposed to be excluded from the standard retail conditions or the existing licence conditions to be included in the standard retail conditions without change?

Power and Water notes that the Commission has proposed to remove a number of obsolete and duplicated obligations from the standard conditions in the retail licences. Power and Water understands the need for this change and is supportive.

**Question 7a**

Would the proposed change to the timeframe for standards and procedures to be in place create any barriers to entry for new retailers?

Power and Water supports requiring new licence holders to have customer-related standards and procedures in place prior to the commencement of operations. These procedures should be in place if an entity is serving customers to ensure their electricity service is safe and reliable. We do not envision this posing a significant barrier to entry for new retailers.

**Question 7b**

Is the additional guidance on standards and procedures useful and is there other information that should also be included?

Power and Water support the Commission in developing guidance on standards and procedures. These materials are useful and ensure that licensees clearly understand their compliance obligations.

**Question 8**

Does the proposed approach appropriately balance the benefits and costs of providing customers with advance notice of changes?

Power and Water support the Commission's proposal to require retailers to provide customers advance notice of changes. However, we note that in many circumstances, licensees must make changes immediately or in a short timeframe as mandated by the Utilities Commission and other parties, including AEMC and AEMO. In these situations, it would not be possible for licensees' to notify customers of changes with sufficient notice. As such, Power and Water recommend that the conditions be modified to account for these circumstances.

## 5 | Standard Conditions – Generation licences

**Question 9**

Do stakeholders have any comments or feedback on the exclusion of conditions relating to coordination agreements, SMMP and ancillary services?

Power and Water agree with the Commission's approach to reduce duplication. However, in the case of ancillary services, given these are a primary obligation that generators must follow to ensure NT power is safe and reliable, we recommend the Commission explicitly reference ancillary services. Further, we recommend that the Commission refer to these obligations within the 'Quality of electricity' obligation in Box 4. This could be in the form of a clause requiring licensees to provide electricity:

- of suitable quality for any network that is interconnected or interfaces with licensees generating plants; and
- meeting the ancillary services requirements set by the Market Operator under the Network Technical code or other relevant documents, such as the System Control Technical Code and the System Secure Guidelines.

Power and Water also support the Commission's proposal to not include conditions relating to connection agreements and coordination agreements. We agree that these are not relevant to the context of a generator operating within the Northern Territory.

**Question 10**

Do stakeholders have any feedback or comments on the relevance or need to change the four proposed standard generation conditions relating to directions of the System Controller, quality of electricity, compatibility and right of use?

Beyond our comments in Question 9, Power and Water has no other feedback on the Generation licence conditions at this time.

## 6 | Standard Conditions – Network licences

### Question 11

Do stakeholders have any comments or feedback on the exclusion of conditions relating to coordination agreements, SMMP, dispute resolution procedures, provision of customer data and right to use?

Power and Water support the Commission's removal of these provisions to streamline licencing and avoid unnecessary duplication between licences.

### Question 12

Do stakeholders have any feedback or comments on the relevance or need to change the four proposed standard network conditions relating to compatibility, coordination, restrictions on trading and disconnections?

Power and Water support the Commission's proposal to retain the three standard network licence conditions on compatibility, coordination and disconnection. To make the clauses more consistent, the Commission could explicitly link the clauses on compatibility and coordination to the relevant section (26(1)) of the Electricity Reform Act, as the Commission has done in the disconnection clause.

### Question 13

Do stakeholders have any feedback or comments on the inclusion of the proposed sub-condition requiring compliance with the directions of the System Controller?

Power and Water support the Commission's proposal to include the sub-condition requiring compliance with the directions of the System Controller. This is particularly important given the separation of the responsibilities of the System Controller and network operation.

### Question 14

Do stakeholders have any feedback or comments on the modification and inclusion of the proposed standard network licence condition on operation and maintenance?

Power and Water support the Commission's proposed changes, and beyond our recommendations made in the questions above, we have no further comments to add. We commend the Commission for their efforts to present the information and are satisfied with the approach taken.

## 7 | Form of electricity supply licences

### Question 15

What improvements could be made to better present and structure information in electricity supply licences compared to that proposed?

Power and Water supports the Commission's proposed changes to the form of electricity supply licences. These changes help to improve the clarity of licences. We particularly support setting out unique conditions in a separate section as this will help participants understand their unique responsibilities separate to other licence holders.

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