



13 July2010

The Executive Officer
Utilities Commission
GPO Box 915
DARWIN NT 0801

By email: utilities.commission@nt.gov.au

Dear Sir/Madam

Draft Report on Review of Options for the Development of a Retail Price Monitoring Regime for Contestable Electricity Customers

The Northern Territory Major Energy Users (NTMEU) welcomes and fully supports the recommendations contained in the Utilities Commission's Draft Report on the above matter, particularly with respect to:

- The proposed retail price monitoring regime
- The proposed disclosure of a wholesale electricity reference price
- The proposed arrangements for the monitoring of Power and Water Corporation's (PWC) market behaviour and pricing outcomes
- The proposed customer complaint mechanism

In addition, the NTMEU notes and supports the Commission's consideration of introducing a customer pricing guideline.

The NTMEU would be extremely concerned if the UC recommended anything less than is included in the draft decision, as this will result in a less than workable outcome from the viewpoint of consumers.

In addition, the NTMEU is obliged to restate that the current structure (a vertically integrated monopoly power provider where some consumers are assumed to be able to get competitive offers, but can't) is worse for consumers than a conventional vertical integrated government owned

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monopoly, because it allows the monopoly provider to exercise even greater market power because those consumers classed as “competitive” have no access to recourse whether from the regulator or government.

So whilst the above proposed arrangements are supported, the NTMEU continues to strongly recommend that – against the background of NTMEU members’ firsthand experience in negotiating with PWC (and NTMEU member affiliates “negotiating” with monopoly businesses in other regions and of operating under price monitoring regimes) – the UC must introduce some form of mechanism to sanction the “negotiations” between PWC and those consumers classed as “competitive”. To this must be added, in the event where “negotiations” with the PWC fail, an arbitration process is implemented under the auspices of the UC. As the NTMEU response to the Issues Paper notes, member experiences with the PWC leave much to be desired, and ultimately become one of “we have heard your requests, we don’t agree, so accept what we offer or you will go onto the default tariff”. Where one party to a negotiation has the ability to take such a position, it does not bode well for a truly negotiated outcome.

The UC is correct in noting the market behaviour of PWC in recent years, including its view of the likelihood that it will remain the vertically integrated monopoly power business for the foreseeable future. As you are already aware the NTMEU is of a similar view to that of the UC, and we have previously proposed to the NT Treasury a suggested way forward to provide some of the benefits of competition in the short term and to create an environment where competition could develop over the longer term. Because there is a strong likelihood that PWC will continue to be the monopoly power provider for quite a few years more, it is essential that controls are put in place to provide:

1. As close to a competitive outcome as possible for consumers
2. Controls on PWC so that it cannot use its market power to the detriment of some consumers
3. Controls on PWC to drive it towards its most efficient operating regime, which would occur if there was strong competition applied to PWC

Yours sincerely



Michael Williams
Chairman
Northern Territory Major Energy Users