
ELECTRICITY RETAIL SUPPLY CODE

CONSULTATION PAPER

July 2011



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Table of Contents

Intention to make an Electricity Retail Supply Code	1
Authority for Code	1
Code making considerations and objectives	1
Code making process	2
Purpose of the proposed Code	3
Request for submissions	4
Electricity supply in the Northern Territory	5
Background	5
Full retail contestability	6
<i>Requirements for retail contestability</i>	7
Electricity industry reform implementation program	8
<i>Work program progress</i>	8
Explanation of proposed Code	10
Purpose of the proposed Code	10
Amending this Code	10
Prudential Requirements	10
Network Access	13
Metrology	13
Business to Business (B2B) Arrangements	14
Customer Transfers	15
Retailer of Last Resort (ROLR)	15
Dispute Process	16
Annexes 1 to 4	16
Appendix A – Credit Support Guidelines and Methodology	17
Wholesale Pricing Framework	17

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Subject to the above, submissions will be made available for public inspection at the office of the Commission and on its website (www.utilicom.nt.gov.au).

To facilitate publication on the Commission's website, submissions should be provided electronically by CD, DVD or email in Adobe Acrobat or Microsoft Word format. However, if this is not possible, submissions can be made in writing.

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CHAPTER 1

Intention to make an Electricity Retail Supply Code

- 1.1 The Utilities Commission intends making an Electricity Retail Supply Code (proposed Code) to prescribe matters including:
- arrangements between electricity businesses for the transfer of customers between retailers;
 - arrangements between generators and retailers including credit support and billing;
 - arrangements between electricity businesses for metrology;
 - arrangements between electricity businesses for business to business interaction;
 - arrangements for a retailer of last resort; and
 - arrangements for dispute resolution between electricity businesses.

Authority for Code

- 1.2 The Commission may make codes or rules relating to the conduct or operations of the electricity supply industry or licensed electricity entities if authorised to do so by the *Electricity Reform Act* or a Regulation under the *Utilities Commission Act*.¹
- 1.3 Utilities Commission Regulation 2A authorises the Commission to make a code about retail supply in the electricity supply industry. The code may deal with one or more of the following:²
- transfer of customers between retailers;
 - credit support arrangements;
 - billing;
 - metrology;
 - service order arrangements;
 - retailer of last resort arrangements;
 - dispute resolution.

Code making considerations and objectives

- 1.4 In performing its code making function, the Commission must have regard to the need:³
- (a) *to promote competitive and fair market conduct;*

¹ *Utilities Commission Act* ss24(1) and (2).

² Utilities Commission Regulations 2A.

³ *Utilities Commission Act* s6(2)

- (b) to prevent misuse of monopoly or market power;*
- (c) to facilitate entry into relevant markets;*
- (d) to promote economic efficiency;*
- (e) to ensure consumers benefit from competition and efficiency;*
- (f) to protect the interests of consumers with respect to reliability and quality of services and supply in regulated entities.*

1.5 The Commission is also guided in performing its functions by the objectives of the *Electricity Reform Act*.⁴

- (a) to promote efficiency and competition in the electricity supply industry;*
- (b) to promote the safe and efficient generation, transmission, distribution and selling of electricity;*
- (c) to establish and enforce proper standards of safety, reliability and quality in the electricity supply industry;*
- (d) to establish and enforce proper safety and technical standards for electrical installations;*
- (e) to facilitate the maintenance of a financially viable electricity supply industry; and*
- (f) to protect the interests of consumers of electricity.*

Code making process

- 1.6 The Commission must, before making, varying or revoking a code or rules, consult with the Minister and representative bodies and participants in the electricity supply industry.⁵
- 1.7 The Commission must give notice of the making, variation or revocation of a code or rules to the Minister and each licensed electricity entity to which the code or rules apply, and ensure that copies of the code or rules are available for inspection and purchase by members of the public.⁶ Notice of the making of a code or rules, or the variation or revocation of a code or rules is to be published in the Gazette.⁷
- 1.8 A code or rule, or variation or revocation of a code or rule, takes effect on the date on which it is notified in the Gazette or a later date specified by the Commission in the code or rules.

⁴ *Electricity Reform Act* s3

⁵ *Utilities Commission Act* s24(4).

⁶ *Utilities Commission Act* s24(6)

⁷ *Utilities Commission Act* s24(7)

Purpose of this Consultation Paper

- 1.9 The purpose of this Consultation Paper is to notify the Minister, licensed electricity entities and interested parties of the Commission's intention to make an Electricity Retail Supply Code, and to request comment on the proposed Code.

Initial work by Northern Territory Treasury

- 1.10 The proposed Code is based on extensive initial work by Northern Territory Treasury, including consultations with electricity industry participants. The Commission has been guided by this initial work in developing the proposed Code.

Purpose of the proposed Code

- 1.11 The Commission received an application for a licence authorising the selling of electricity in the Territory (a Retail Electricity Licence) from QEnergy Limited (QEnergy) in November 2010. The Commission considered the application in accordance with the requirements of the *Electricity Reform Act* [s16] and granted a Retail Electricity Licence to QEnergy in February 2011.
- 1.12 The entry of a second electricity retailer into the Territory electricity market highlighted that more specific regulatory arrangements were necessary to facilitate electricity retail supply activities in the Territory's electricity market.
- 1.13 The proposed Code is intended to provide appropriate certainty to electricity retailers, the network service provider and electricity generators about the rules and obligations associated with retail supply activities.
- 1.14 The objective of the proposed Code is to document and codify the arrangements that are immediately necessary to support effective business to business interactions and to provide appropriate customer protection. The matters covered by the proposed Code are:
- the arrangements for transferring customers between retailers;
 - the arrangements relating to prudential requirements and billing between the network service provider and retailers, and between generators and retailers;
 - the arrangements between retailers and network service providers for metrology;
 - retailer of last resort arrangements; and
 - a dispute resolution process in the event of disputes between electricity businesses.
- 1.15 The proposed Code is a transitional arrangement that establishes a framework for retail supply activities that is sufficient at this time, taking into account the need to provide certainty to PWC and QEnergy about the arrangements that are immediately necessary to support retail contestability.
- 1.16 The Commission anticipates that these initial arrangements will be further developed based on industry practice, the development of competition, experience with operating the proposed Code and development of the regulatory framework.

Request for submissions

- 1.17 The Commission is seeking submissions from interested parties on the proposed Code, and any other matters they consider relevant to the effective performance of retail supply activities in the Territory.
- 1.18 The Commission requests submissions by 6 July 2011. The Commission notes that this timeframe is based on the need to provide certainty to electricity market participants about the rules and obligations associated with retail supply activities, and in recognition of the extensive prior consultations undertaken by Northern Territory Treasury.

CHAPTER 2

Electricity supply in the Northern Territory

Background

- 2.1 The electricity supply industry in the Northern Territory is regulated through the *Electricity Reform Act*, *Electricity Networks (Third Party Access) Act*, *Utilities Commission Act* and associated legislation. This regulatory framework was introduced on 1 April 2000.
- 2.2 The regulatory 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 market systems. Key elements of the framework are:
 - third party access to the Darwin-Katherine, Alice Springs and Tennant Creek electricity networks (owned and operated by the Power and Water Corporation);
 - all customers became contestable from 1 April 2010 (able to choose their electricity retailer); and
 - the Commission is the independent economic regulator, responsible for regulating monopoly electricity services, licensing market participants, and monitoring and enforcing compliance with regulatory standards for market conduct and service performance.
- 2.3 The Power and Water Corporation (PWC) is the main electricity business in the market systems, generating the majority of electricity used, operating the electricity networks and supplying retail services. PWC is a vertically integrated Territory Government owned corporation with generation, network and retail business units operating as separate businesses.⁸ The commercial relationship and transactions between each unit is subject to oversight and regulation by the Commission.⁹ PWC is also subject to oversight by a shareholding Minister (currently the Treasurer) and a portfolio Minister (currently the Minister for Essential Services).
- 2.4 PWC has been the only electricity retailer in recent years, supplying electricity to about 72 000 customers at 30 June 2010.¹⁰ The Commission granted a retail electricity licence to QEnergy Ltd in February 2011.
- 2.5 PWC is also the main electricity generator, with about 89 per cent of generation capacity in the market systems. There are four other generators producing electricity in

⁸ This paper refers to the separate business units as PWC Retail, PWC Networks and PWC Generation.

⁹ Regulatory instruments include the licensing framework and the Northern Territory Electricity Ring-Fencing Code.

¹⁰ Utilities Commission, March 2011, 2009-10 Power System Review, table 3.2.

the Darwin-Katherine and Alice Springs systems. However, these businesses generate electricity under contract for PWC rather than selling directly to an electricity retailer or to customers, and PWC provides the fuel used for electricity generation.¹¹

- 2.6 PWC Networks owns and operates the Darwin-Katherine, Alice Springs and Tennant Creek electricity networks, which comprise 666 kilometres (km) of transmission lines and 5156 km of distribution lines.¹²
- 2.7 PWC is also a major electricity supplier in regional and remote parts of the Territory, and is the water and sewerage service provider throughout the Territory.
- 2.8 Electricity supply in regional and remote centres of the Territory is managed through a contract for service model, with supply arrangements agreed between the service purchaser (most often the Territory Government) and a service provider (in most cases, PWC or a PWC subsidiary). These systems include the 72 communities and 82 outstations where essential services are provided through the Territory Government Indigenous Essential Services program; three mining townships, where electricity is supplied by the associated mining company; and eight remote townships.¹³

Full retail contestability

- 2.9 Full retail contestability involves giving customers the ability to choose their electricity retailer. All Australian jurisdictions made commitments through the Council of Australian Governments (COAG) National Competition Policy to encourage competition in electricity supply, including by facilitating full retail contestability.
- 2.10 Contestability was a requirement for certification under the *Trade Practices Act 1974* of the Territory's third party access regime for electricity networks.¹⁴ Certification provides legal standing to the rules and obligations for access to natural monopoly infrastructure. The COAG Australian Energy Market Agreement commits jurisdictions to maintaining a certified access regime.
- 2.11 The Territory adopted a staged approach to contestability. All large customers (those using more than 750 megawatt hours a year) were able to choose their retailer from April 2002. Small business and household customers (those consuming less than 750 megawatt hours a year) became contestable from 1 April 2010. Full retail contestability means that all electricity customers in the Territory could have a choice of either remaining with PWC or accepting an offer from another licensed retailer.

¹¹ Utilities Commission, 2009-10 Power System Review, March 2011, pages 14-15. These generators are located at Pine Creek (between Darwin and Katherine), Shoal Bay (at the Darwin City Council dump) and Brewer Estate (in Alice Springs).

¹² Utilities Commission, March 2011, 2009-10 Power System Review, table 5.1.

¹³ The three mining townships are Nhulunbuy, Alyangula and Jabiru. The eight remote townships are Timber Creek, Borroloola, Daly Waters, Elliot, Newcastle Waters, Kings Canyon, Yulara and Ti-Tree.

¹⁴ National Competition Council, Northern Territory Electricity Network Access Regime, Application for Certification under section 44M(2) of the *Trade Practices Act 1974*, Final Recommendation, December 2001, pages 25-27.

Requirements for retail contestability

- 2.12 Retail contestability requires a coordinated package of systems and processes to allow the transfer of customers between retailers (business to business rules), protect customers against unfair or unreasonable practices by retailers and to provide minimum standards of service (customer protection). Commonly these arrangements are codified in regulatory instruments to provide certainty to retailers, distribution network service providers (DNSP), the market operator and customers about the rules and obligations associated with retail supply activities.
- 2.13 The Territory's regulatory framework does not currently provide much guidance to market participants on the conduct of retail supply activities. In particular, the business to business rules are not documented, and in the absence of other market participants PWC had managed business to business interactions as an internal matter through service level agreements between the PWC Retail, Generation and Networks business units.
- 2.14 The entry of QEnergy into the Territory market highlighted that more specific and detailed regulatory arrangements are necessary to facilitate retail contestability and the associated electricity retail supply activities. Significant effort has been required from PWC, QEnergy, Treasury and the Commission to identify the arrangements needed to support retail contestability and to develop and implement appropriate systems and processes.

Minimalist transitioning approach

- 2.15 The Commission notes that the development of FRC systems and processes has been a major focus of the electricity sector in the NEM, with significant investment by the Australian Energy Market Operator (AEMO as market operator), DNSPs and retailers in information technology to support the transfer of about 10-25 per cent of NEM customers each year (about 890 000 to 2.2 million transfers a year).¹⁵
- 2.16 However, Ergon Energy, the DNSP supplying regional Queensland, has been exempted from adopting the NEM systems for FRC due to expectations of low customer transfer rates and the high cost of obtaining and maintaining the necessary capability.
- 2.17 The Queensland Electricity Industry Code allows Ergon Energy to operate under a minimalist transitioning approach when processing customer transfers and in the creation of certain information for contestable customers.¹⁶ This allows Ergon Energy to continue to operate its manual enquiry system until such time as the implementation of a more expensive and efficient automated process is considered to be cost effective.
- 2.18 Ergon Energy is required to meet a minimum standard for providing customer information to retailers and to affect a customer transfer. This standard reflects Ergon's capability. The standard is reviewed annually.

¹⁵ Based on 2009 data, electricity customer transfer rates in Australia range from 25.3 per cent in Victoria to 11.8 per cent in New South Wales. Refer World Energy Retail Market Rankings 2010, VaasaETT, 5th edition. Viewed 9 June 2011 at, http://www.eraa.com.au/db_uploads/World_Energy_Retail_Market_Rankings_2010.pdf.

¹⁶ Queensland Electricity Industry Code s6.8

2.19 The Commission considers that the minimalist transitioning approach adopted in Queensland is relevant to the Territory context.

Electricity industry reform implementation program

2.20 The Commission was requested by the Territory Government in August 2009 to undertake a series of reviews as part of a priority reform program to increase the efficiency of the electricity supply industry, improve customer standards of service and reliability and, where possible, align the Territory's regulatory arrangements with those of the national electricity market.

Work program progress

2.21 The Commission has completed the following work program reviews:

- Review of Full Retail Contestability for Northern Territory Electricity Customers. The final report was provided to the Treasurer in December 2009, and released publicly in February 2010.
- Review of Options for Implementation of a Customer Service Incentive Scheme for Electricity Customers. The final report was provided to the Treasurer in July 2010 and released publicly in August 2010.
- Review of Options for the Development of a Retail Price Monitoring Regime for Contestable Electricity Customers. The final report was provided to the Treasurer in October 2010, and released publicly in October 2010.
- Review of Electricity Standards of Service for the Northern Territory. The final report was provided to the Treasurer in November 2010, and released publicly in December 2010.

2.22 Two reviews remain underway:

- Review of System Planning, Monitoring and Reporting. An Issues Paper for this review was released in December 2010. A Draft Report is scheduled for release in July 2011, with a Final Report provided to the Treasurer by September 2011.
- Review of Electricity System Planning and Market Operation Roles and Structures. A Draft Report is scheduled for release in July 2011, with a Final Report provided to the Treasurer by September 2011.

2.23 Papers and submissions for these reviews are available on the Commission website, www.utilicom.nt.gov.au.

2.24 The recommendations of the completed reviews are summarised below.

Retail contestability and customer protection

- appropriate regulatory arrangements to support retail contestability and retail supply activities (i.e. this Electricity Retail Supply Code).
- standard retail supply contracts to specify default terms and conditions for "small" customers, based on the national energy customer framework.¹⁷ The standard contracts would establish a small customer protection framework, including defining the rights and obligations of customers, network service provider and retailers.

¹⁷ Information on the National Energy Customer Framework is available from the Ministerial Council on Energy website, www.mce.gov.au. Refer MCE Standing Committee of Officials Bulletins.

Guaranteed service level scheme

- a guaranteed service level scheme to establish financial rewards and penalties for reliability and customer service performance by the electricity network service. Customers using less than 160 megawatt hours a year (in the Darwin-Katherine, Alice Springs and Tennant Creek systems) would be eligible for payments if defined minimum performance targets are not achieved.

Standards of service framework

- a framework for determining minimum and average standards of reliability, quality and customer service by generators, network service provider and retailers. The framework is to identify appropriate indicators and targets for reliability and service performance, define a methodology for determining targets, and establish monitoring and reporting arrangements.

Retail price oversight framework

- arrangements to provide large customers with assurance that electricity prices reflect the cost of supply, involving the regular reporting on PWC's (while it has a majority share of the retail market) retail costs and prices against appropriate indices and benchmarks, and a periodic detailed investigation of electricity supply costs and prices based on a forward looking building block analysis of costs.

Wholesale market framework

- arrangements to support effective wholesale market operation, including the disclosure and publication of a wholesale electricity reference price (and associated energy sent out) at the generation facility gate.

CHAPTER 3

Explanation of proposed Code

- 3.1 The purpose and reasons for the provisions of the proposed Code are explained below. This section of the Consultation Paper should be read together with the proposed Code (released together with this document).

Purpose of the proposed Code

- 3.2 The purpose of the proposed Code is to provide electricity market participants in the Territory with a regulatory instrument which provides the framework and mechanisms for retail competition between retailers for contestable customers. The proposed Code specifically deals with issues relating to:
- the transfer of customers between retailers,
 - credit support arrangements, so as to ensure the financial integrity of the electricity market,
 - billing arrangements,
 - metrology and business to business arrangements, and
 - retailer of last resort (ROLR) mechanism to cater for any retailer failure.
- 3.3 In making the proposed Code, the Commission has:
- sought to promote and achieve the object of the *Utilities Commission Act*;
 - sought to promote and achieve the objects of the *Electricity Reform Act*; and
 - had regard to the matters listed in section 6(2) of the *Utilities Commission Act*.

Amending this Code

- 3.4 The proposed Code allows for amendments and suitable variations of the proposed Code, which will be managed through the Commission's code change process in accordance with clause 2 of this proposed Code and section 24 of the *Utilities Commission Act*. This process will allow stakeholders and participants to have suitable input and comments on the proposed code variations to be considered by the Commission.
- 3.5 The Commission will provide a statement of reasons for decisions that vary the proposed Code.

Prudential Requirements

- 3.6 The prudential requirements section of the proposed Code outlines the credit support arrangements to be applied between the wholesale participants that operate within the Territory's electricity market. These credit support arrangements are between:
- a) a retailer and the network provider (network credit support); and

- b) a retailer and the generator (generator credit support).
- 3.7 Prudential requirements in the electricity market are important as they act as a safeguard to the ongoing security and financial viability of the energy sector, and individually for the security of market participants and customers.
- 3.8 The need for prudential requirements to safeguard market participants and customers must be balanced against the objectives of facilitating new entrants into the market, promoting a competitive market and promoting economic efficiency. Setting high prudential requirements can create a barrier to market entry for new retailers and also imposes a direct and ongoing cost on their business. The Commission has taken account of industry participant views in developing these prudential arrangements and considers the proposed prudential requirements provide an appropriate balance between these objectives.
- 3.9 The prudential requirements that have been stipulated in the proposed Code are intentionally aligned to existing national energy market frameworks that already exist in the NEM. In particular for network credit support, the proposed Code has adopted aspects of the final version of the National Energy Customer Framework (NECF)¹⁸. The NECF instrument in itself does not apply to the Territory. However, the proposed Code has been aligned to this national code where possible.
- 3.10 For generator credit support, the Territory electricity market is different to both the NEM and Western Australian markets which function as gross pool markets and capacity/net pool markets. The prudential framework for retailer participation in the NEM is overseen by the Australian Energy Market Operator (AEMO). The NEM prudential framework is based on the NEM market structure which requires retailers to purchase all electricity at the spot price and generators to sell all electricity at the spot price. The prudential requirements are structured to ensure that retailers have the financial capability to make their payments for electricity purchases to AEMO who will facilitate payment to generators for their sale of electricity into the NEM. In the Territory the arrangements between retailers and generators are bilateral and there is no central pool market such as exists in the NEM and no capacity/net pool market such as exists in Western Australia.
- 3.11 The NEM features a centralised system for managing the operation of the market which includes handling the extensive volume of market data and performing the settlement and payment functions. The NEM prudential arrangements are integrated into the centralised NEM systems. The Territory currently does not have any such systems and for this reason, it would be impractical to replicate these NEM arrangements at this stage.
- 3.12 Retailers and generators in the NEM can partially opt out of the NEM prudential arrangements and enter into bilateral arrangements through a process known as reallocation. In simplified terms, reallocation allows retailers to reduce or offset the amount they purchase from the pool by the amount they have agreed to reallocate with

¹⁸ The NECF was published in its final form in November 2010, however its implementation in different NEM jurisdictions have varied. The current target implementation date is 1 July 2012, but some jurisdictions will have transitional measures that extend beyond this date.

the generator. This results in a reduction of prudential requirements that retailers must provide to AEMO with the credit risk being transferred directly to the generator. In these circumstances the retailer and the generator reach a private agreement as to the prudential arrangements between the parties (i.e. the generator credit support). The overall effect of the reallocation arrangements in the NEM is not dissimilar to the market in the Territory in that the generator credit support occurs on a bilateral basis between the participants.

- 3.13 In considering the generator credit support, the Commission has sought to implement prudential requirements that are not dissimilar to those that would occur in the NEM on a bilateral basis between parties that are utilising re-allocation. However it is important to note these bilateral credit arrangements in the NEM are not publicly available and there are substantial variations in the credit arrangements agreed between different parties which reflect their differing circumstances.
- 3.14 In framing the generator credit support, the Commission has considered the minimum credit benchmark at which no generator credit support should be required from a retailer. It is the common practice of many (but not all) of the participants in the NEM that are utilising the International Swaps and Derivatives Association (ISDA) credit support documentation framework to require a minimum of an investment grade credit rating from either Standard and Poor's, Moody's Rating Services or Fitch Ratings in order for the retailer to avoid providing credit support. The proposed Code applies an investment grade credit rating as the minimum credit benchmark at which there is no requirement for generator credit support.
- 3.15 For retailers without an investment grade credit rating, the generator credit support is based upon providing protection to the generator for its total financial exposure that will arise during the expected settlement, billing and payment cycle. The required generation credit support amount is based on a standard 28 day settlement cycle, plus 14 days to raise an invoice and a further 14 days for the payment of the invoice. In theory a total period of 56 days can pass between the start of a settlement cycle and the payment for the electricity consumed during that settlement cycle.
- 3.16 As a result, the Commission has accepted a benchmark of a maximum of 2 times a standard generation settlement charge or 56 days as being an appropriate balance for the generator credit support.
- 3.17 The requirement for network credit support has been based upon the NECF. The Commission is mindful that the NECF will not apply to the Territory, but nevertheless the ability to utilise a national prudential framework for network credit support is seen as a positive step in trying to ensure that the Territory aligns itself with national regulatory frameworks.
- 3.18 The proposed network credit support approach is seen as a workable and pragmatic position that provides adequate credit support to the network provider based on the credit worthiness of the retailer and prudential relief for the retailer where it has a strong credit rating.
- 3.19 In some instances, there has been some limited alignment between the workings of the network credit support and generation credit support clauses. This includes using the same 20 business day time frame for notices and applying the same 110% and 90% levels in clauses 3.2.2 and 3.2.3 for generation credit support and in clauses 15.13 and 15.14 for network credit support.

- 3.20 The inability to meet the prudential requirements can either lead to a new entrant retailer not being provided with access to either wholesale electricity from a generator or network access from a network provider. Where prudential requirements are breached for a retailer, a ROLR event may be triggered unless the breach is rectified as detailed further in this document.
- 3.21 Retailers, the generator and the network provider can negotiate and agree alternative prudential arrangements. However this proposed Code provides a safety net for retailers of the maximum prudential requirements they can be required to provide.

Network Access

- 3.22 In order for retailers to have access to the network (on behalf of their customers), there is a requirement for them to enter into a network access agreement with the network provider. The network access agreement is expected to be a standard agreement provided by the network provider, capable of being negotiated and agreed to by the parties to the agreement.
- 3.23 The network access agreement will form the contractual basis for the relationship between the network provider and the retailer including rights and obligations for each party.
- 3.24 The network provider will also have a standard distribution contract covering the standard terms and conditions on which the network provider connects a customer's supply address to its electricity distribution network, maintains that connection and supplies electricity to the supply address.

Metrology

- 3.25 The proposed Code restricts customer transfer to those customers with interval meters. PWC is able to transfer customers with interval meters as their data is ring-fenced and stored in a separate system.
- 3.26 Based on advice from PWC to the Commission, only those customers with a consumption greater than about 500 megawatt hours currently have interval meters. These customers are likely to be the initial focus of new retailers and customer transfers.
- 3.27 Based on advice from PWC to the Commission, the Commission understands that PWC Networks does not yet have the necessary system capability to accommodate the transfer of customers with accumulation meters.

- 3.28 However, limiting customer transfers to those customers with interval meters represents a barrier to full retail contestability and full retail competition, regardless of the customers' consumption levels. This issue was identified in the Commission's recommendations in the Review of Full Retail Contestability: Final Report (FRC Report):¹⁹

The Commission considers that mandating interval metering as a condition of customer transfer for small customers is an impediment to competition and that for this reason the imposition of this requirement was avoided in other jurisdictions... The Commission recommends that there be no mandated requirements for interval metering of customers with annual consumption below 160MWh.

- 3.29 Mandating that a customer have an interval meter as a condition of customer transfer for small customers was avoided in the NEM, with wholesale electricity market settlements for non-interval metered loads calculated using regional net system load profiles on half-hourly basis (rather than using a customers' interval meter data).
- 3.30 The FRC Report recommended that PWC commence considering load profiling options to handle customers with accumulation meters as it is considered to be facilitative of competition and can maintain some uniformity of pricing within the profile area. It is recognised that the load profiling requirements for PWC should take into account the particularities of the Territory's peak and off-peak market settlement system and, to avoid undue costs, be commensurate with the level of customer churning.²⁰
- 3.31 Another matter to be considered is the appropriateness of adopting smart meters for all Territory customers. The Commission does not consider that the roll-out of smart meters is a pre-condition for the adoption of retail contestability. However, the Commission considers that a study should be undertaken to establish the appropriate consumption level at which interval metering be mandated since the profile used to apportion accumulation meters tends to be skewed for large loads.²¹
- 3.32 The Commission is of the view that the requirement for a customer to have an interval meter should only be temporary to enable sufficient time for PWC Networks to obtain the necessary system capability to support customer churn regardless of the meter type or consumption levels, and to undertake the necessary load profile studies.
- 3.33 The Commission expects to review the metrology provisions regularly.

Business to Business (B2B) Arrangements

- 3.34 The network provider will be responsible for developing service order procedures within 5 business days after the commencement date of this proposed Code which must be approved by the Commission. The B2B arrangements will deal with services such as customer connection, customer disconnection, special meter reads and the installation

¹⁹ Utilities Commission, December 2009, Review of Full Retail Contestability – Final Report, p.37.

²⁰ Ibid, p.45.

²¹ Ibid, p.36.

of new meters. The B2B arrangements (as approved by the Commission) will be available to a retailer upon request.

Customer Transfers

- 3.35 In order for a customer to be transferred, a retailer must obtain suitable verifiable consent from that customer and must ensure that the appropriate cooling off requirements is met as specified under Australian Consumer Law.
- 3.36 The proposed Code sets out notices (in the form of request forms) that must be submitted to initiate a customer transfer as well as the timelines and process for transfer or rejection of the transfer of a customer.
- 3.37 The Commission notes that electricity consumption data is owned by the customer and the customer has the right to obtain that data for their own purposes, including to pass on to another electricity retailer.

Retailer of Last Resort (ROLR)

- 3.38 The intent of ROLR provisions in the proposed Code is to set out the rights and obligations of the ROLR, the defaulting retailer and the customer. The ROLR in the Territory is PWC Retail.
- 3.39 With the introduction of FRC, the Territory could end up with a number of electricity retailers and even though prudential requirements have been established to protect the generation and network companies that will be counterparties to the defaulting retailer, there is a need to ensure that customers are adequately protected so that they continue to receive their electricity supply and can be transferred to the ROLR without unnecessary hardship and financial loss.
- 3.40 The proposed Code sets out the criteria that would give rise to a ROLR event including the inability for a current retailer to meet its prudential requirements or the cancellation or suspension of a retail licence. The Commission will have the ultimate discretion as to whether a ROLR event should be invoked. In its absolute discretion and with the information that it has available, the Commission will ensure that the criteria to invoke a ROLR have been met before triggering such an event.
- 3.41 The Commission will also ensure that the defaulting retailer has adequate time under the proposed Code to remedy any potential default and that the default is of material value before a ROLR event is triggered. Prior to suspending or cancelling a licence, the Commission must:²²
 - a) *notify the electricity entity in writing of the proposed action specifying the reasons for the proposed action; and*
 - b) *allow the electricity entity at least 14 days within which to make submissions to the Commission in relation to the proposed action.*

²² *Electricity Reform Act*, s36(3)

- 3.42 The proposed Code also prescribes the notification process for the Commission to affected parties as well as the notification process for the ROLR to affected customers. The Commission has not created timelines for which customers are to stay or to be removed from the ROLR (or default) tariff as per the NECF. Instead, given the ROLR will provide notification of a default tariff and options for alternative supply to affected customers, it is the Commission's expectation that this mechanism will provide an incentive for customers to seek an alternative retail supply option.
- 3.43 The intent of the Commission is to develop further guidelines in relation to ROLR.

Dispute Process

- 3.44 The Commission recognises that there is the potential for disputes through most regulatory instruments. The intention within the proposed Code is to allow the disputing parties to resolve the outstanding dispute firstly amongst themselves which includes elevating the dispute to the highest company officials for resolution if required.
- 3.45 It is the expectation of the Commission that disputes will be resolved bilaterally between the parties and disputes should only be brought to the Commission as a last resort.
- 3.46 The proposed Code provides that the Commission will endeavour to make a determination on the dispute within 20 business days after it is appointed to consider the dispute. However, the Commission may elect to seek further clarification or may enter into its own investigations in relation to the dispute and therefore has the discretion to make a determination within a longer period of time. The Commission will liaise with the disputing parties about the timeframe for making a determination.
- 3.47 The Commission may also elect to appoint an arbitrator or an independent expert or put in place other measures to attempt to expedite the dispute if it considers it necessary.
- 3.48 The Commission may elect to recover the costs associated with the dispute resolution process and may make a determination in this regard.

Annexes 1 to 4

- 3.49 Annexes 1 to 3 provide the standard templates for submitting requests to the network provider for:
- a) standing data;
 - b) historical data; and
 - c) customer transfer.
- 3.50 Annex 4 details what comprises the standing data and historical data.
- 3.51 In early consultations there had been some discussion over the naming of the meter identifier. The proposed Code utilises the term Unique Meter Identifier (UMI) which is assigned by the network provider. This term has been intentionally used to allow the network provider the ability to continue to use its current system of meter identifiers whilst also allowing the flexibility to move to the National Metering Identifier (NMI) used in the NEM in the future. The Commission understands the Territory has been allocated a NMI range but they are currently not used by the network provider.

Appendix A – Credit Support Guidelines and Methodology

- 3.52 The guidelines as noted in Appendix A of the proposed Code are expected to provide guidance to network providers and retailers on the expected credit support requirements to be provided. The guidelines are largely representative of what is adopted with the NECF and as a result are based on a national framework as previously discussed in section on Prudential Requirements.

Wholesale Pricing Framework

- 3.53 Northern Territory Treasury initially considered incorporating a wholesale pricing framework into the proposed Code (i.e. in previous iterations). The objective was to create greater wholesale pricing transparency and to ensure that there was a level playing field between the incumbent generator, the incumbent retailer and new entrant retailers.
- 3.54 The need for a wholesale pricing framework arises because PWC Generation is the only generation counterparty currently available in the Territory. In theory PWC Generation may have the ability to utilise its market power to extract greater margins and also to affect the relative competitiveness of individual retailers. Some protection against this is provided by the Ring-fencing Code. However it is good regulatory policy to put in place arrangements that will contribute to increased pricing transparency for all participants and stakeholders.
- 3.55 The Commission notes that priority work program Review of Options for the Development of a Retail Price Monitoring Regime for Contestable Electricity Customers recommended changes to the wholesale pricing framework.