PowerWater

Record No: D2011/288812
Container No: F2010/2063

Andrew Reeves
Utilities Commissioner
Utilities Commission
GPO Box 915
Darwin NT 0801

Dear Andrew

Re: Northern Territory Electricity Retail Supply Code

Thank you for your letter of 21 June 2011 in which you seek Power and Water's comments on the Utilities Commission's draft Electricity Retail Supply Code (draft Code) and the accompanying Consultation Paper in relation to the establishment of market rules to support retail competition.

Power and Water's response to the draft Code is at Attachment A.

Power and Water supports the development and establishment of market rules to support retail competition in the Northern Territory and sees the draft Code as a useful first step towards achieving this.

Please contact Ms Djuna Pollard, Manager Regulation, Pricing and Economic Analysis, on (08) 8985 8431 or at djuna.pollard@powerwater.com.au should you have any questions or require further information.

Yours sincerely

Andrew Macrides
Managing Director

6 July 2011

Attachment A

NORTHERN TERRITORY OF AUSTRALIA
ELECTRICITY RETAIL SUPPLY CODE

SUBMISSION BY POWER AND WATER CORPORATION IN RESPONSE TO THE DRAFT CODE AND CONSULTATION PAPER ISSUED BY THE UTILITIES COMMISSION

JULY 2011

The following table provides a summary of Power and Water's comments on the draft Electricity Retail Supply Code and the consultation paper. Please note that the order in which the comments are presented is based on the sequence of the contents of the draft Code and not in order of priority.

#	Section/Clause Reference	Issue	Comments
1	Clause 2.2.2	Unless the Commission considers that the application has been made on trivial or vexatious grounds (in which case the Commission may reject the application without further notice) an application to vary or revoke any part of this Code will be dealt with by the Commission in accordance with this clause 2	It is unclear how the Commission decides what constitutes trivial or vexatious grounds. PWC suggest that this is clarified.
2	Section 3	Prudential Requirements – the draft Code omits a required minimum of credit support	The draft Code omits a clause that states that there is a required minimum of $10,000 for credit support. This becomes relevant since credit support calculations are highly sensitive to the number of customers for a retailer. This presents an exposure to Power and Water should its retailers have a small number of customers or where multiple retailers have a small customer base. The worked examples provided in Appendix A Schedule 2 are a direct copy of those from the credit support guidelines currently used by Queensland Competition Authority where retailers typically have many customers. However, this is not appropriate where retailers have few customers. It is suggested that a clause be included that requires a minimum of $10,000 of credit support per customer.
3	Clause 3.1.1	Typo	This should read "A network provider may require a retailer to provide credit support up to the required network credit support amount."
4	Clause 3.2.2 (a)	This omits reference to Territory Governments	This should read, "If the retailer or its parent company has an acceptable credit rating or is a fully owned subsidiary of the Australian Federal Government or an Australian State or Territory Government, the required generation credit support amount is NIL."

#	Section/Clause Reference	Issue	Comments
5	Clause 3.2.2 (b)	Required generation charges should be more specific	In clauses 3.2.2 (b) (i) and (ii), reference should be made to "highest monthly generation charges bill" rather than "highest generation charges bill". The statement "provided the time period covered by the highest generation charges bill for the purposes of calculating the required generation credit support amount shall not be greater than one month" then becomes redundant. It is recommended that this is deleted.
6	Clause 3.2.2 (e)	Additional credit support	To be consistent with current practice, this should be 14 rather than 20 business days.
7	Clause 4.1	Billing expectations	Where possible it should be expected that a customer will receive a consolidated bill from retailers. Exceptions to this will be those circumstances where a network provider invoices a customer directly for some alternative control service charges. It is suggested that this be included in clause 4.1.1 or specified in a separate clause.
8	Clause 4.1.3 (c)	The customer connection services must be provided to a customer in accordance with the relevant network access agreement entered into between the network provider and the customer or retailer.	The wording of this clause suggests that a customer may not require a contract with a retailer. It is suggested that the clause is either reworded or an additional clause 4.1.3 (d) added to ensure that it is clear that the customer also has a contract with a retailer prior to entering into an agreement with the network provider.
9	Clause 5.1.4	A retailer must not initiate a transfer if that customer is supplied electricity from an embedded network.	It is not clear what type of customer this clause is intended to exclude. For instance, a customer with PV installations would be unable to transfer under this clause. An example would be useful for clarification.
10	Section 6	Use of data	It is not clear whether historical data may be used for purposes such as industry profiling.
11	Clause 6.2.5	Typo	The clause should read "A retailer may submit a request for historical consumption data to a network provider in relation to a customer by completing a historical consumption data request form and submitting it to the network provider".
12	Clause 6.3	Customer access to data	PWC's preference is for these requests to be made through a retailer.
13	Clauses 6.3.2 and 6.2.12	Charging arrangements for customers and retailers	Clause 6.2.12 states that the retailer must pay reasonable charges incurred by the network provider. PWC recommends that this same wording should apply to clause 6.3.2 relating to customer access to data.

#	Section/Clause Reference	Issue	Comments
14	Clauses 7.1.1 and 7.1.3	The submission of service order procedures to the Commission	The requirement that service order procedures be submitted to the Commission no later than 5 business days of the commencement of the Code is unreasonable given the considerable amount of work required and the fact that requests are not limited to those set out in clause 7.1.3. PWC recommends a more realistic timeframe of 3 months for these procedures. PWC also recommends that a complete list of those business-to-business services requiring service order procedures needs to be agreed with the Commission *prior* to the development and submission of service order procedures.
15	Clause 8.2.3	The requirement to submit separate customer transfer request forms for each exit point needs clarification.	A customer may have multiple retailers if it chooses to retain some sites with one retailer and other sites with an alternative retailer. However, the clause should specify that all exit points relating to a particular site need to transfer on the same nominated transfer date.
16	Clause 8.2.4	The draft Code does not include the provision for the existing retailer to object to the proposed customer transfer or require the customer to pay a penalty in the event of breaking a contract.	It is proposed that a clause is included in the Code where the existing retailer can reject a proposed customer transfer. If such a clause is included, the Code needs to define the reasons for retailers to object to customer transfers, e.g. outstanding debt. For NEM participants, the transfer objection provisions are detailed in Section 4.7 of the MSATS Procedures: CATS Procedure Principles and Obligations.
17	Section 8	Arrangements for a customer to transfer back to PWC(Retail)	The draft Code does not specify the arrangements for a customer to transfer back to PWC(Retail). These arrangements need to be transparent. It is proposed that the draft Code be amended to include these arrangements. PWC proposes that once a customer has transferred onto a negotiated contract with an alternative retailer they are no longer eligible to return to the standard supply contract.
18	Clauses 8.2.10 (d) and 8.2.13	The customer transfer day	Clause 8.2.9 specifies that a customer transfer takes place at midnight on the last calendar day of the month the request is submitted. However, it is unclear whether clause 8.2.10 (d) requires a transfer to take place at other times. Clause 8.2.13 also appears ambiguous since it requires a transfer of the customer "as close as practical to the retailer's nominated date." PWC requests clarification on this issue.

#	Section/Clause Reference	Issue	Comments
19	Clause 8.2.14	Role of retailer in event that a transfer cannot be completed.	It is not clear whether the current or incoming retailer is responsible for billing the customer in the event that a transfer cannot be carried out. It is recommended that the roles and responsibilities of current and incoming retailers are made clear.
20	Clause 8.2.15	Transfer date and information provision to the customer	Clause 8.2.15 details the timeframes within which the network provider should provide electronic notice to the retailers of the transfer and transfer date. However, it is not clear from this clause which retailer has the role of informing the customer. Furthermore, it does not specify the charging arrangements that apply to the customer. PWC recommend that is made explicit in the Code.
21	Clause 9.3	Declaration of a Retailer of Last Resort event	It is not clear from this clause (or from section 9) what happens to the customer during the period prior to the announcement by the Commission of a Retailer of Last Resort event. PWC recommends that this is clarified in the Code.
22	Clause 9.3.1	Typo	This should read "When the Commission believes on reasonable grounds that a retailer of last resort event has occurred, then the Commission may issue a notice declaring that the retailer of last resort event has occurred".
23	Clause 9.4.3	As Retailer of Last Resort, Power and Water Corporation (Retail) must sell electricity to the existing customers in accordance with Retailer of Last Resort tariffs approved by the Commission.	The draft Code does not set out the methodology or process for determining Retailer of Last Resort tariffs. It is recommended that this is specified. Currently, the draft Code does not outline the terms and conditions for customers when Retailer of Last resort is invoked, in particular the controls that may be necessary to mitigate the risk of a high credit risk customer. PWC recommends that this is determined on a case by case basis to capture the different risk profiles of customers. Furthermore, in the previous draft of the Code the time limit over which the Retailer of Last Resort Tariff applies was defined as 3 months. However, in the most recent draft Code, the reference to a time frame has been removed. PWC understands this is consistent with the NECF and recommends that this clause should make the intention clear that the Retailer of Last resort Tariff is sufficiently high so as to encourage affected customers to negotiate more favourable terms with PWC Retail.

#	Section/Clause Reference	Issue	Comments
			It is also not clear whether Power and Water (Generation) would be obliged to honour a contract with a retailer in a Retailer of Last Resort event or whether the contract would be renegotiated. Further, the draft Code is unclear on whether a Retailer of Last Resort event would call for customer transfer request forms to be submitted for each of the defaulting retailer's customers.
24	Clause 9.4.5	Costs to PWC of the Retailer of Last Resort event	The additional burden to the PWC of the Retailer of Last Resort event increases the costs to PWC Retail and thus can have a non-competitive impact. As such, PWC recommends that these costs be formally acknowledged through funding arrangements set out in the Code.
25	Clauses 9.5.1 and 9.5.2	Cost recovery procedures for a Retailer of Last Resort event	Clauses 9.5.1 and 9.5.2 provides that PWC may apply to the Commission to recover costs but do not specify the framework for cost recovery. PWC recommends that a cost recovery scheme is developed prior to applications being made to provide guidelines around which costs may be recovered.
26	Annex 3	Customer Transfer Request Form	It is unclear whether the list of customer details set out under point (i) should be preceded by subsection (c). Items (g) and (h) are not required on the Customer Transfer Request Form. PWC recommends that these are excluded.
27	Clause 15.11 (b)	Reference to clause in Code	This should refer to clause 3.4 rather than 3.2.5.
28	Definitions	Reference to clauses	The customer transfer request form definition should refer to clause 8.2.2 rather than 8.4. The data request form definition should refer to clause 6.2.7 rather than 6.9. It is recommended that the Commission check that all the definitions listed are used within the Code.
29		There is no mention in the draft Code of how commercial terms are determined between Power and Water (Generation) and retailers.	Power generation is contestable in the NT Electricity Market and is not currently regulated by the Utilities Commission. Power generation arrangements are negotiated on commercial terms between Power and Water Corporation (Generation) and retailers, with the agreed terms and conditions set out in either an

#	Section/Clause Reference	Issue	Comments
			Electricity Supply Agreement (external to PWC) or a Service Level Agreement (internal to PWC). A customer transfer request could be initiated while the wholesale electricity quote is being actioned but the transfer cannot be completed until there is an accepted quote. As such, the wholesale tariff would need to be agreed between the parties prior to the customer transferring. It is recommended that a clause be included that outlines these arrangements.
30		Buy-back arrangements for Photo-voltaic (PV) installations.	The draft Code does not address the transfer of PV export installations. PWC PV contract arrangements whereby a customer has negotiated a PV buy-back arrangement in addition to an Electricity Sales Agreement, provides for these contract arrangements to become null and void once the customer is no longer a PWC (Retail) customer. This comment was raised in the submission to the earlier draft Code. It is proposed that the Code follows current practice.