

UTILITIES COMMISSION  
INFORMATION CIRCULAR NO. 2

# ***Competition in Electricity Supply: State of Play***

## **1. Where are we currently at in the process?**

On 2 March 2000, legislation to introduce competition into the Northern Territory electricity supply industry was passed by the Legislative Assembly. These are:

- ◆ the *Electricity Reform Act* which establishes the framework of the new regime, allowing certain end-use customers to become contestable;
- ◆ the *Electricity Networks (Third Party Access) Act* which sets out the basis upon which new players in the electricity industry will have access to PAWA's networks (poles and wires along which the electricity travels). Networks are to remain a monopoly function as these are 'natural monopolies', and it would not be practical for new entrants to duplicate these facilities; and
- ◆ the *Utilities Commission Act* which establishes the Utilities Commission as the independent industry regulator.

The Utilities Commission commenced on assent of the *Utilities Commission Act* on 21 March 2000, and the two electricity Acts commenced on 1 April 2000. The first Utilities Commissioner took up appointment also on 1 April 2000.

Licences to generate and sell electricity were issued to PAWA and the NT Power Group with effect from 1 April 2000.

The access agreements necessary for NT Power to use PAWA's network are still being negotiated. Competition will commence in practice once these negotiations are completed.

## **2. What is the definition of a “contestable customer”?**

Contestability has been clearly defined in the Regulations made on 31 March 2000. The Regulations give effect to the definition of a contestable customer set out in Circular No.1.

The Regulations can be viewed on the Utilities Commission website.

### **3. How will I know if I am a contestable customer?**

PAWA is required to notify a customer at least 28 days before PAWA assesses they will become contestable.

You will be a “contestable customer” on 1 April 2000 if your power bill shows that your organisation consumed more than 4 gigawatt-hours of electricity from a particular site in any consecutive 12 month period since 1 July 1998 or if, due to expansion, it is estimated that you will consume in excess of this figure in a future consumption period.

### **4. What if I think I should be contestable but PAWA doesn't notify me?**

The Regulations establish a certification process.

You will need to apply to PAWA to be certified as contestable. PAWA will then certify or refuse to certify you as a contestable customer. The Utilities Commission will be the final arbiter in any disputes regarding contestability.

If your business is expanding, you may become contestable if your expected total electricity consumption for a consecutive 12 month period beginning on or after 1 April 2000 if:

- there was no consumption before 1 July 1998; or
- the business or premises expanded after 1 July 1998.

In this instance, you will need to use the certification process to be recognised as a contestable customer.

### **5. Why haven't any suppliers, including PAWA, approached me to begin negotiating a contract under these new arrangements?**

As PAWA is the only holder of complete lists of customers, it would be unfair to allow them to begin signing up potential customers before these customers are known to other potential suppliers. In the interests of fair competition, some conditions have been imposed.

When PAWA (or any supplier who may be licensed to sell to non-contestable customers in the future) identifies that an existing customer will or could become contestable, PAWA must give them at least 28 days notice of that fact. Prior to that time, PAWA must also request the customer to give written consent for PAWA to provide their details to the Utilities Commission for entry into a “Register of Contestable Customers”. PAWA is to advise the Utilities Commission of the identity of the contestable customer at the same time as the customer is notified.

The information held on the register will be made available to potential electricity suppliers by the Commission on certain terms and conditions relating to confidentiality.

Once this has occurred with a particular 'tranche' of contestable customers, PAWA and any other supplier may then enter into a contract with a contestable customer under the new arrangements. It should be noted however, that while discussions are possible beforehand, a contract cannot be signed before this time, and that a contract cannot come into effect until the date on which the customer becomes contestable.

**6. My business premises covers a large area and has more than one electricity supply point (meter) – is it a single site or not?**

The Regulations define contestability on a customer basis. If a single site is serviced by more than one supply point, the consumption at those supply points can be added to establish the load level.

**7. I have an existing arrangement with PAWA so that I receive a single bill for multiple, geographically dispersed sites – how will these be treated?**

This is specifically addressed in the Regulations. These are treated as separate sites in calculating consumption levels.

This is a government policy decision.

**8. My business premises also houses some other independent businesses who are not separately connected to the electricity supply – am I technically on-selling electricity to them and does this mean I need a licence?**

In general terms, on-sellers of electricity are exempt by the Regulations from the requirement to hold a licence on the condition that they must not pass on electricity costs on terms less favourable to the recipient than those that PAWA is obligated to charge to non-contestable customers.

**9. If I choose to contract with a new supplier, what safeguards do I have in terms of security of supply?**

As a condition of holding a licence under the new regime, suppliers of electricity are required to take reasonable steps to ensure that they have sufficient generation available to meet the load of their contracted customers. They must also ensure that adequate standby

arrangements are in place, either by owning sufficient standby resources of their own or by bilateral contracting with another generator.

A power system controller licence has also been issued, initially to PAWA, authorising system control over the Northern Territory power system. The function of the system controller is to monitor and control the operation of the power system with a view to ensuring that the system operates reliably, safely and securely in accordance with a technical code prepared by the system controller and approved by the Utilities Commission.

Also, when each electricity entity contracts with PAWA Networks for the use of their poles and wires, details of standby power arrangements must be included in the access agreement and these details provided to the power system controller (including any changes to the status of standby).

As with any business contract, in negotiating with electricity suppliers, you will need to decide your preferred balance between price and risk. In negotiating an agreement for the supply of electricity, you should inquire about the standby power arrangements that your supplier has in place in case of outages from their primary power source, and ensure that the reliability standards being offered will suit your requirements.

The Commission expects to publish shortly the protocols being used by the Power System Controller for load shedding purposes. If questions remain, the Commission will organise an information session involving the Power System Controller and representatives of PAWA Generation and the NT Power Group.

## **10. Are all licences issued to electricity suppliers granted on the same terms and conditions?**

The *Electricity Reform Act* allows a person who currently holds a licence under the repealed *Electricity Act* to be granted a licence on the same terms and conditions that applied to the licence granted under the repealed Act and for that licence to remain in force for the remainder of the period for which it was granted under the repealed Act.

Because of this transitional clause in the new legislation, some electricity suppliers may, in the short term, operate under different conditions than others. This is an issue that you may need to clarify with suppliers when negotiating a contract for electricity supply, and again, make a judgment based on your own requirements.

**11. I need more information about my electricity usage to enable me to effectively negotiate – how do I get this information from PAWA?**

Whilst information on customer load profiles and other metering data is held by PAWA, ownership of this data belongs to the customer.

If you wish this data to be made available to a third party, either a potential supplier or to anyone who may be assisting you in making a decision on contracting with a potential supplier, you should write to PAWA authorising them to provide the required information to the parties you nominate.

**3 April 2000**