

Attachment A

NORTHERN TERRITORY OF AUSTRALIA

**APPLICATION FOR AMENDMENTS TO THE
ELECTRICITY RETAIL SUPPLY CODE:**

**SUBMISSION BY POWER AND WATER
CORPORATION TO THE UTILITIES COMMISSION'S
CONSULTATION PAPER**

AUGUST 2012

The following table provides a summary of Power and Water’s comments on the Consultation Paper for the Application for Amendments to the Electricity Retail Supply Code. Please note that the order in which the comments are presented is not in order of priority. The shaded areas within the table are provided to the Utilities Commission on the basis that the information will be treated as commercial in confidence.

#	Section/Clause Reference	Issue	Comments
1	<p>Clause 3.2.2</p> <p>QEnergy incorrectly cites this as clause 3.3.2 rather than clause 3.2.2.</p>	<p>QEnergy has sought a reduction in the required generation credit support amount for retailers who cannot demonstrate an acceptable credit rating.</p> <p>They seek to have this amount reduced in each of the following clauses:</p> <p>3.2.2 (b) (i) from 2 times to 0.5 times the retailer’s reasonable forecast of its highest generation services bill over the following 12 months; and</p> <p>3.2.2 b (ii) from 2 times to 0.5 times the generator’s record of the highest generation services bill issued to the retailer by the generator over the previous 12 months.</p>	<p>PWC’s credit processes and systems are structured around monthly billing cycles. As such, an invoice is issued at the end of the month and the retailer is given two weeks to pay. This means that if the retailer failed to pay its generation charges, 6 weeks of trading would already have passed. In accordance with the Code, the occurrence of a retailer of last resort (ROLR) event is determined by the Utilities Commission. Hence, at the earliest, activation of a ROLR event would occur at the 2 month period. Consequently, the provision of two weeks of credit support would fall short of the loss to PWC. Therefore, a code change would imply considerable risk to PWC.</p>
	<p>Clause 3.2.2</p> <p>QEnergy incorrectly cites this as clause 3.3.2 rather than clause 3.2.2.</p>	<p>QEnergy also seek an amendment to an acceptable credit rating as being defined as “a credit rating of BBB+ (or its equivalent) or higher from Standard and Poors, Fitch Ratings, or Moody’s Investor Services, or a Dunn and Bradstreet Dynamic Risk Score of Low or better”.</p>	<p>Agree. With regards to the definition of an acceptable credit rating, PWC concurs that a Dun and Bradstreet Dynamic Risk Score of “Low” would be considered equivalent to the Standard and Poors or Fitch ratings of BBB+.</p>

2	Clause 3.4.1 (b) (i)	<p>Form of credit support.</p> <p>QEnergy's proposes that credit support will be in a form that is acceptable to the Northern Territory Utilities Commission rather than the network provider or generator.</p>	<p>It is standard industry practice for the management of commercial risk to be the responsibility of the business rather than the regulator. As such, PWC opposes this code change since it calls for the UC to take on a role that lies with PWC.</p>
3	Clause 6.2.8 (b)	<p>Typographical error</p> <p>The clause reads:</p> <p>The network provider will process a minimum of:</p> <ul style="list-style-type: none"> (i) 2 requests for standing data per day; (ii) 2 requests for historical consumption data per day. 	<p>PWC proposes that this should read:</p> <p>The clause reads:</p> <p>The network provider will process a maximum of:</p> <ul style="list-style-type: none"> (i) 2 requests for standing data per day; (ii) 2 requests for historical consumption data per day.

4	Clause 6.2.9	<p>QEnergy has sought a reduction in the period for the network provider to respond to a data request by a retailer from within 5 business days to within 1 business day.</p>	<p>PWC's existing systems are such that data requests cannot be accommodated within such a short time frame. In submission to the UC's <i>Review of Full Retail Contestability for Northern Territory Customers</i>, PWC highlighted the fact that the systems which support the sharing of data in the NEM are significantly different from those manual processes that PWC employs. In particular, in the NEM, standing data is populated and maintained in the Market Settlement and Transfer System (MSATS) which is a centralised system managed by AEMO. In the NT, Power and Water Networks collects and stores the metering data itself and supplies it on request. As such, it is not an automated process accessible by all instantaneously. To deliver such a process would generate substantial costs to PWC. It is unclear how this would benefit customers.</p> <p>When a retailer makes a request for data, this comes to the FRC Officer in the Regulation Pricing and Economic Analysis team. The FRC Officer then liaises with the Metering section in Power Networks to confirm the meter details. The FRC Officer then confirms receipt of the request with the retailer and informs them of the process and costs. Once Metering has prepared the data, the FRC Officer sends this through to the retailer.</p> <p>The Metering section receives requests on a daily basis from retailers and customers. Each request is different in terms of what type of data the customer or retailer needs and how they would like it to be presented. Thus a requirement to meet all requests within 24 hours is not achievable.</p> <p>The implications of making this code change would be that PWC would be reporting Code breaches on a daily basis. PWC considers this an unsatisfactory outcome for all parties and the requirement of 5 business days for the provision of data to a retailer to be fair and reasonable.</p>
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5	Clause 6.3.1	<p>QEnergy has sought a reduction in the period for the network provider to respond to a data request by a customer from within 20 business days to within 1 business day.</p>	<p>As noted above, the systems that support the sharing of data in the NEM are significantly different from those processes that PWC employs. The process for meeting data requests is a manual one requiring the input from staff in different areas of the business.</p> <p>Retailer requests can be met within 5 business days since typically retailers have experience in the market, knowledge of the data they require and in what format. However, when customers contact PWC directly it takes a longer period to ascertain their needs, and establish how these can be met. For instance, a customer wishing to monitor their energy usage for a site would need data that is markedly different from a customer who is going to tender and transferring retailers. Thus further time is needed to collate data for the varying needs of different customers.</p> <p>Furthermore, with the advent of FRC a growing demand for the provision of meter data has come from energy consultants. Once written permission is obtained from the individual customer, the consultants request meter data on their behalf. This is very rarely straightforward with incorrect meter or site details submitted or with sites that do not have interval meters installed. Consequently, it takes an extended period of time to meet these requests.</p> <p>PWC considers that a 20 business day period for meeting customer data requests is currently fair and reasonable given the volume and nature of these requests.</p>
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6	Clause 8.2.6	QEnergy has sought a reduction in the time frame for Power and Water to reject a customer transfer request form from within 5 days to within 1 business day.	"Customer transfers" refer to the systems and processes to effect the movement of customers between retailers. These complicated and prescriptive arrangements form a critical part of the NEM. In terms of customer transfers in the NT, this is enabled through a manual process that requires the cooperation of staff from RPEA, Metering, Networks, Generation and System Control in addition to the existing and prospective retailers. Once a customer transfer request form is submitted to PWC, it must first be checked to ensure that all the details are correct. Once this is established, arrangements need to be made with the other business units to ensure that transfer can actually take place. A time frame of 24 hours would not be sufficient to ensure the appropriate checks had been carried out particularly if a site visit was warranted by Power Networks. PWC proposes that the current 5 business day limit is satisfactory given the manual nature of the customer transfer process.
7	Clause 8.2.10 (a)	QEnergy has sought a reduction in the time frame from when the network provider receives a valid customer transfer request form until it notifies the current retailer of the transfer date.	As set out in the explanation above, the 5 business day limit is an appropriate time frame in which to judge whether a transfer can take place at the allotted time.

8	<p>Various clauses</p> <p>Data arrangements</p>	<p>QEnergy has sought amendment to the current data provisions. They dispute that customers or retailers should pay for data provision. They also object to data requests being processed by a separate individual in Regulation, Pricing and Economic Analysis Unit from the officer who assists Generation in processing wholesale pricing quotes.</p>	<p>PWC notes QEnergy's objections to different staff members managing the provision of data and the processing of wholesale pricing quotes. The reason for this is due to a key aspect of PWC's licence conditions, namely the requirement that certain business units be ring fenced. To ensure compliance with these conditions, a Ring Fencing Code has been established by the UC. It requires the operational separation of PWC's monopoly and contestable electricity businesses. This entails processes and procedures that demonstrate an arm's length relationship between PWC's business units.</p> <p>Members of Regulation, Pricing and Economic Analysis (RPEA) team have repeatedly been questioned as to the importance of ring fencing by external parties who have asked that it be overlooked to achieve a speedier result. The <i>Electricity Reform Act</i> provides for licence condition breaches to attract fines of up to \$275,000 per breach or withdrawal of PWC's licence. As such, until otherwise directed by the UC, PWC will continue to comply with the Ring Fencing Code.</p> <p>In terms of process, there is a dedicated Full Retail Contestability (FRC) officer in the RPEA team who processes customer and retailer requests for data. This is done by submitting a data request through to the Metering section (located at a different site). Once this data has been received, it is then forwarded to the retailer or customer in question.</p> <p>The wholesale pricing quotation is only obtained upon submission of a wholesale pricing request form to PWC Generation. As such, merely asking the FRC officer to forward the customer data set to PWC Generation would not constitute a wholesale pricing request. A separate officer assists PWC Generation in this part of the process. Where errors are apparent in the completion of the form, these are detected at this stage and rectified before the retailer has made a binding legal commitment to PWC Generation.</p> <p>PWC considers that these processes are as streamlined as possible given the requirements of a Ring Fencing Code and also provide a valuable service to all retailers in achieving an accurate and timely price quotation.</p>
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9	Clause 8.2.20	A transfer is not permitted prior to the completion of any cooling off period. As a result, the incoming retailer will need to take this into account when nominating the customer transfer date.	The cooling off period is defined as "the 10 business day following the date on which the customer enters into an electricity sale contract with a retailer for the supply of electricity to that customer at an exit point." PWC considers that the customer should be permitted to waive the cooling off period should this delay the customer's ability to transfer between retailers.
10	Section 9 Retailer of Last Resort (ROLR) Provisions	PWC seeks amendment to Clauses 9.4 and 9.5.	In its submission to the Draft Electricity Retail Supply Code, PWC made a number of clarification requests in terms of the Retailer of Last Resort provision. These were not addressed in the final version and present an inherent risk to PWC in a ROLR event. These are addressed in Points 11-16 below.
11	Clause 9.4.2	Following a Retailer of Last Resort Event, the network provider must, as soon as practicable, transfer existing customers from the failed retailer and Power and Water Corporation (Retail).	It is unclear whether a separate customer transfer request form is required for each of the failed retailer's customers. If this is the case, then the transfer of customers will involve a delay to the proceedings while the formalities are completed.
12	Clause 9.4.3	As Retailer of Last Resort, Power and Water Corporation (Retail) must sell electricity to the existing customers of the failed retailer in accordance with the Retailer of Last Resort tariffs approved by the UC.	To date, PWC Retail has not received direction as to the calculation of Retailer of Last Resort tariffs. Notably, retail tariffs are negotiated with customers through bilateral arrangements. As such, customers are not all on identical tariffs. PWC is of the understanding that a ROLR tariff would be sufficiently high so as to encourage affected customers to negotiate more favourable terms with PWC Retail or an alternative 2 nd tier retailer. With this in mind, PWC proposes that the ROLR tariff for each customer would consist of existing generation, networks and retail costs plus 7% retail margin (consistent with retailers in the fully contestable Victorian electricity market that have retail margins between 5 and 8%).
13	Clauses 9.4.4 and 9.4.5 (c)	This states that the UC will gazette the ROLR tariffs for use by PWC Retail.	As noted above, customers enter into contracts with PWC Retail through bilateral agreements. As such, a gazettal of tariffs makes no sense in the context of the NT market. PWC recommends removal of this clause from the Code.

14	Clause 9.4.5 (d)	The Code currently allows a customer to remain on the ROLR tariff indefinitely.	PWC considers that a time frame should be set so that customers may only stay on the ROLR tariff for a limited amount of time. This will encourage them to re-contract after the ROLR event. PWC considers that at an absolute maximum this should be three months.
15	Clause 9.4.5	Terms and conditions of contracts associated with ROLR events.	The Code does not specify the terms and conditions that would apply to those customers who transfer as a result of a ROLR event. PWC (Retail) does not intend to apply the failed retailer's terms and conditions to ROLR customers if these differ from those that apply to its own existing customers. PWC seeks confirmation from the UC, in the Code or otherwise that this is in accord with its own expectations.
16	Clause 9.5	Costs resulting from the ROLR event.	<p>Clauses 9.5.1 and 9.5.2 provides that PWC may apply to the UC to recover costs but do not specify the framework for cost recovery.</p> <p>PWC recommends that a cost recovery scheme is developed <i>prior</i> to applications being made. This would provide guidelines around which costs may be recovered.</p>
17	No Clause	The existing Code provides no processes for the presence of a second generator in the electricity market.	PWC welcomes a dialogue with the UC to discuss how the existing procedures will be modified should a second generator enter the market.