

Under Treasurer

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Mr Andrew Reeves
Utilities Commissioner
Northern Territory Utilities Commission
GPO Box 915
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Dear Mr Reeves

Thank you for your letter of the 19 August 2010 advising of the release of the draft report for the Review of Electricity Standards of Service for the Northern Territory.

Treasury has reviewed the draft report and supports in-principle the proposed standard of service framework as outlined. The following comments are offered to assist in the preparation of the final report.

The draft report finds that a key factor in establishing standards of service arrangements is identifying what represents acceptable levels of service, which involves understanding customer preferences and willingness to pay. However, the report recommends that assessing customer preferences and willingness to pay should be undertaken at a later stage.

It is acknowledged that developing a reliable framework for measuring willingness to pay is problematic. However, the development of a robust retail price monitoring regime that promotes transparency in costs of service delivery, prices and subsidies, could assist in this regard and provide a useful starting point. Additionally, Treasury would be happy to work with the Commission to develop an effective assessment framework to assist in understanding customers willingness to pay.

The electricity standards of service issues paper sought comment on the approaches for setting performance targets for generation and networks, including setting targets to encourage improvements in service quality over time. The responses from both Power and Water Corporation and Treasury supported this approach. While the issue has been addressed implicitly in the draft report, Treasury suggests that greater clarity around this aspect of the standards of service framework be provided for the final report.

The draft report proposes that PWC undertake a cost benefit analysis of the limited use of smart meters in the Territory to collect quality of supply information. This approach seems reasonable given that it is unlikely that the full roll out of smart meters in the Territory at this point would deliver net economic benefits.

Treasury also notes the proposed options for implementing the framework, including enforcement through licence conditions and statute. Treasury agrees that introduction by statute is likely to provide greater regulatory certainty and will consider these options in more detail on completion of the final report and in the context of the other regulatory reform measures developed as part of the Commission's work program.

Thank you for the opportunity to comment on the draft report.

Yours sincerely

JENNIFER PRINCE
Under Treasurer

November 2011