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Lyndon Rowe  
Utilities Commissioner  
Utilities Commission of the Northern Territory  
GPO Box 915  
Darwin NT 0801

Dear Mr Rowe *Lyndon*

## Electricity Retail Supply Code Review - June 2021

Power and Water Corporation (**Power and Water**) is pleased to provide feedback and comments in response to the Utilities Commission's (**Commission's**) Electricity Retail Supply Code (**ERSC**) Review Issues Paper.

The ERSC continues to play an important role in providing fair and equitable rules aimed at promoting effective competition and efficient market operation until such time that an appropriate fit for purpose energy customer framework for the Northern Territory is established.

Given the rapid pace of industry and market developments, ongoing review and incremental change will be necessary to ensure that it continues to remain effective in the context of this change.

Overall, Power and Water is generally supportive of most of the proposed amendments to the ERSC. While we have provided responses to the Issue Paper questions in Attachment A, we would like to highlight the following:

- **Further changes to clause 4 are required to clarify Coordination Agreement arrangements** – currently the ERSC is silent on the process for establishing new Coordination Agreements and the appropriate term for the agreement. This coupled with the lack of clarity surrounding endorsement of the agreement has led to unnecessary delays in establishing a new Coordination Agreement. The ERSC should be amended to clarify that the Commission has responsibility for endorsing the agreement in full as opposed to only certain aspects of the agreement. Codifying these changes would assist in streamlining the establishment of Coordination Agreements and would also improve enforceability of the agreement.
- **The costs associated from removing clauses 5.1.1 and 5.1.2 are likely to outweigh the benefits** – removing the requirement for customers with accumulation meters to transfer to a new retailer without first replacing the meter with an interval meter will have significant impacts on market settlement. This has implications for the efficient operation of Northern Territory Electricity Market. The market settlement model of 'settle by difference' has not been designed to accommodate customers with accumulation meters churning retailers while maintaining their legacy metering arrangement.



Accommodating the proposed change will increase costs, and will increase the time required to undertake market settlement. There is a risk it may lead to potential billing impacts and disputes arising from accuracy issues. Power and Water considers that it would be more appropriate to revisit this issue in two years' time once Northern Territory Electricity Market reforms have been finalised and Power and Water has had the opportunity to implement new metering and market settlement systems to determine how this change could be accommodated without imposing significant costs on end use consumers or resulting in adverse market outcomes.

- ***The ERSC should be amended to clarify arrangements for photovoltaic (PV) exports*** – this will help to promote the efficient operation of the electricity retail market by ensuring that market participants have greater clarity over roles and responsibilities.
- ***The definition of 'verifiable consent' should be expanded*** – this definition should be expanded to reflect that verifiable consent can be in relation to interruptions as per clause 10.4B.1(d)(ii) and be in the form of written consent or a recorded phone call.
- ***Life support arrangements for non-regulated and Indigenous Essential Services (IES) communities*** – Power and Water agrees that in principle non-regulated and IES communities should have the same protections as customers on the regulated grid, however, in practice this is likely to be difficult to achieve with Power and Water Retail Centres. This is because Retail Centres are maintained by mining companies, with Power and Water appointed as the retailer under legacy arrangements. Mining companies do not often notify Power and Water of planned works or maintenance on either generation facilities or the electrical grid.

If you have any further questions or require any further information please contact Brendon Crown, Senior Manager, Regulation Economics and Pricing on 0438 579 783 or by email at [Brendon.Crown@powerwater.com.au](mailto:Brendon.Crown@powerwater.com.au).

Yours sincerely

Djuna Pollard  
Chief Executive Officer

30 August 2021

## Attachment A – Power and Water’s Response to the Commissions’ Issue Paper

### **Question 1 - In general, is the Electricity Retail Supply Code (ERSC) still relevant for the Territory’s electricity supply industry? Why?**

An appropriate fit-for-purpose energy customer framework for the Territory will become increasingly important as technology continues to evolve and the Northern Territory’s electricity market transitions to meet the Government’s 50 per cent renewable energy target by 2030.

We understand that the Office of Sustainable Energy intends on undertaking analysis during 2021 to establish an appropriate energy customer protection framework and expect this will take several years to develop and implement. Consequently, in the absence of any other codes, regulations, or the adoption of the National Electricity Retail Rules (**NERR**), the ERSC will continue to play an important role in supporting the efficient coordination of electricity matters between market participants - including the coordination of billing and payments, network access arrangements, metrology, customer transfers, and life support.

Given the rapid pace of industry and market developments, it will be necessary to continually review the ERSC and make further incremental changes to ensure that it continues to remain effective in promoting market competition and supporting the efficient operation of the electricity retail market.

### **Question 2 - Are there any matters that should be removed or added to the ERS Code to make it more relevant and/or effective given the current state of the Northern Territory electricity industry?**

Power and Water has reviewed the current drafting of the ERSC and suggests the following incremental changes to the code to clarify roles and responsibilities in relation to photovoltaic (**PV**) exports. Specifically, we consider that there is a need to:

- Consider whether further amendments to the ERSC are required to reflect outcomes under the Australian Energy Market Commission (**AEMC**) distributed energy resources access pricing and incentive arrangements rule change. This rule change will introduce new requirements around distributed energy resource access and pricing arrangements in the Northern Territory. As the National Electricity Retail Rules do not currently apply in the Northern Territory further changes to jurisdictional arrangements may be required to support the implementation of the new rule and ensure that the rule delivers intended customer benefits.<sup>1</sup>
- Clearly defining the responsibility of market participants in relation to PV export and feed-in tariffs, specifically that feed-in tariff payments are the responsibility of the customer’s retailer and that export data is the responsibility of the Network Service Provider. This will help to promote the efficient operation of electricity retail market by ensuring that market participants have greater clarity and transparency of roles and responsibilities.

We have also identified a need to amend the definition of ‘verifiable consent’ in Schedule 1 to clarify that verifiable consent includes notification of interruptions and that this can be in written form or a recorded phone call. Currently the drafting of the ‘verifiable consent’ does not reflect that this can be in relation to notification of an interruption as per clause 10.4B.1(d)(ii) or that a recorded phone call is sufficient to meet this requirement, which is common practice in other jurisdictions.

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<sup>1</sup> Refer to AEMC, Access, pricing and incentive arrangements for distributed energy resources, Draft rule determination, 25 March 2021.

**Question 3 - Should the ERS Code include a clause to allow generators to request a retailer to provide credit support if they have poor payment history, even if they have an acceptable credit rating as defined in the ERS Code? Why?**

Power and Water agrees that generators (including Government Owned Corporations) operating in the Northern Territory should have the ability to protect their investment and commercial interests. Given that generators are paid in arrears, late or poor payments can place generators in a situation of unnecessary financial distress which may lead to economic and operational failures. Credit support arrangements provide an important mechanism for supporting the efficient operation of the market by preventing the risk of generator failure and the withdrawal of generation availability from the market.

**Question 4 - If the answer to question 3 is yes, should the definition of 'poor payment history' be similar to that defined in the national energy framework's retailer-distributor credit support requirements? If no, how should it be defined?**

Where alignments can be easily made and without the need for additional or multiple changes to existing codes and regulations, national regulations definitions should be adopted where possible.

**Question 5 - If the answer to question 3 is yes, is a credit support amount equal to the amount of the last statement of charges that triggered the request for credit support appropriate? If not, how should the credit amount be determined?**

Power and Water's view is that the statement of charges that triggered the event is appropriate, however given the volatility of the Northern Territory's climate the average amount of the previous three invoices immediately preceding the event may be more appropriate.

This is because during the change in seasons (i.e. dry to wet in the north and winter to summer in the south) consumption tends to fluctuate dramatically. If credit support is determined on the basis of the last statement of charges it may overstate or understate the amount required. Taking the average amount of the previous three invoices preceding the event is likely to provide a more accurate level of credit support.

**Question 6 - Are the matters (or terms) specified in clause 4.1.1 of the ERS Code, which are to be included, and approved by the Commission, in a Coordination Agreement, clear? Are they appropriate? Why?**

Further changes to clause 4 (Coordination) of the ERSC are required to provide greater clarity and improve the operation of this provision. Clause 4.1 should be amended to provide greater clarity on the:

- process of establishing the Coordination Agreement;
- duration of the Coordination Agreement; and
- clarify responsibilities around endorsement and enforcement of Coordination Agreement.

In addition, the ERSC should also be amended to include a definition of Coordination Agreement in Schedule 1, given that this is intended to be a defined term under the code.

Currently, the ERSC is silent on the above matters. This has resulted in confusion and unnecessary delays in the establishment of a new Coordination Agreement. The Coordination Agreement was first commenced in July 18 and expired in September 2019. Due to a lack of clarity around the process and responsibilities for endorsing



and establishing a new Coordination Agreement, the existing Coordination Agreement has needed to be extended on four separate occasions.

The code should be amended so that the Commission is responsible for endorsing the entirety of the Coordination Agreement rather than a few aspects within the agreement. In our view, it would be more appropriate for the Commission to approve the Coordination Agreement in its entirety. This is because the Coordination Agreement is a license requirement placed on all electricity entities operating in the Northern Territory, therefore it makes sense that the Commission is the responsible party for approving the agreement.

Codifying these changes would assist in streamlining the establishment and endorsement of new Coordination Agreements and would also improve the enforceability of the agreement. It would also provide greater transparency and consistency in the establishment of new Coordination Agreements.

**Question 7 - Are there any additional matters (or terms) that should be specified in clause 4.1.1 of the ERS Code to be included, and approved by the Commission, in a Coordination Agreement? If yes, what are they and why should they be specified?**

Power and Water has nothing further to include at this stage.

**Question 8 - Should a customer with an accumulation meter be able to transfer to a new retailer without having to replace their accumulation meter with an interval meter (in other words, should clause 5.1.1 and 5.1.2 of the ERS Code be removed)? Why?**

While Power and Water supports the removal of potential barriers to competition (real or perceived), it is important that a holistic approach is adopted to ensure that the benefits from changing current arrangements to promote greater competition outweigh the associated costs and appropriately deliver customer benefits.

Power and Water is concerned by the Commission's proposal to remove the requirement for customer transfers to be permitted without an interval meter. While we understand that there are concerns that this requirement may act as an impediment to increased retail competition, it is important to note that:

- The current market settlement system has been designed and developed based on the requirement that transfers to a new retailer require interval meters.
- Market reforms currently being consulted on by the Department of Treasury and Finance (DTF) are being designed based on the assumption that interval meters will be used for market settlements.

Consequently, removing this requirement will likely have significant impacts on both market settlement and the efficient operation of the Northern Territory Electricity Market (NTEM). We consider that the costs associated with these impacts will far outweigh the benefits from promoting competition at this point in time. This is primarily due to current metering and market settlement system limitations, which place a heavy reliance on manual processes.

Removing this obligation prior to the implementation of new metering and market settlement systems will require additional resourcing to undertake market settlement, will increase the timeframes required to settle the market, and may lead to potential billing impacts and disputes arising from accuracy issues.

Therefore, while removing the requirement for customers to transfer to a new retailer without requiring an interval meter will promote greater customer choice and competition it will result in a significant increase in market settlement costs and will have billing impacts for customers serviced by the Darwin-Katherine system.

Power and Water considers that it would be more appropriate to revisit this issue in two years' time once NTEM reforms have been finalised and Power and Water has implemented new metering and market

settlement systems to better determine how this change could be accommodated to promote greater competition without imposing significant cost and billing impacts to customers and market participants.

Further details on the issues and concerns from this proposed change are outlined in Appendix 1.

Should the Commission choose to proceed with removing these clauses, despite the significant concerns we have raised, further amendments would be required to:

- 1) Allow the Market Operator to transition to new arrangements, in particular sufficient time would be required for the Market Operator to make the necessary system and process changes to ensure that market settlement is able to occur with accumulation churns;
- 2) Remove the ability for customers to churn mid-month; and
- 3) Clearly state that all churns must occur from the date of the next meter read, unless the retailer requests and pays for a special meter read.

These changes are required to accommodate the increased time and complexity involved in settling the market as a result of removing clauses 5.1.1 and 5.1.2.

Further details on the issues and concerns from this proposed changes are outlined in Appendix 1. We would also urge the Commission to consult with DTF to understand potential implications arising from the design of proposed NTEM reforms.

**Question 9 - Should the requirement for an interval meter to switch retailers be amended to require a Type 1-4 meter as defined in the NER (NT)? Why?**

Power and Water agrees with this proposed change. Consistency in definitions used in the various codes and regulations across the Northern Territory would be beneficial to all entities operating within this jurisdiction. This would also ensure greater alignment with terminology under the NT NER.

**Question 10 - Should the ERS Code be amended to remove the Retailer of Last Resort (RoLR) provisions so that a RoLR scheme suitable for the Territory's circumstances can be provided for in legislation? Why?**

If it is determined that it is more appropriate to elevate these provisions and codify in the Legislation than it would be appropriate to remove from the code. However, the provisions should not be removed before legislative arrangements are in place as this would result in gap in measures for addressing potential risk of a Retailer of Last Resort event.

**Question 11 - Should the ERS Code allow for exceptions to clause 10.6 whereby a customer could provide their written explicit informed consent to retain a prepayment meter despite requiring life support equipment at their premises? Why?**

Power and Water agrees that the ERSC should allow for customers requiring life support equipment to retain their pre-payment meters if they choose too, provided their consent contains at a minimum the following:

- acknowledgment the customer is responsible for monitoring their balance and ensuring that their balance is in credit;
- customers must implement their own emergency plan and/or have a backup power supply in the event that their credit runs out; and
- if the customer chooses to remain on a pre-paid system the Network Service Provider cannot be held liable if the customer's power switches off due to no credit.

**Question 12 - Should the ERS Code be amended to explicitly state that retailers and network providers must comply with their approved life support equipment procedures for outside major centres? Why?**

Whilst Power and Water agrees that in principle non-regulated and IES communities should have the same provisions and protections as customers on the regulated grid, in practice this is likely to be difficult to achieve. This is because Retail Centres (predominantly mining centres such as Jabiru and Nhulunbuy) are maintained by mining companies, and as such Power and Water is often not made aware of any planned works or maintenance being scheduled on either the generation facilities or the electrical grid.

Power and Water is the retailer within these areas under legacy arrangements arising out of historic decisions by previous governments. Power and Water has limited customer records for invoicing purposes, which would make it difficult to maintain a life support register if modifications to the sign up process are made and are negotiated and agreed to with the mining companies.

**Question 13 - Should the ERS Code include an obligation on retailers and network providers to regularly review their life support equipment procedures for outside major centres? Why?**

It would be prudent to continually review these procedures given that the Northern Territory Electricity Market is still under development and the rapid pace in which the market arrangements and technology are changing. Regularly reviewing these processes will help to ensure that they appropriately take into account the impact of new technology to ensure that life support protections for customer continue to remain robust over time.

**Question 14 - If so, how often should their procedures be reviewed? Why?**

Life Support procedures should be reviewed as least once every five years, as well as after any incidents that may occur. Power and Water considers five years to be an appropriate timeframe for undertaking a comprehensive review of procedures as it aligns with our regulatory determination process under the AER. Including a requirement that procedures be reviewed following an incident, will help to ensure that incremental adjustments to the procedure are undertaken to address any gaps or deficiencies that may arise as a result of technology changes.

**Question 15 - Should the ERS Code be amended to include internal dispute resolution obligations on retailers and/or network providers that are similar to that in the NERL, amended for the Territory's circumstances? Why?**

Power and Water agrees that where alignments can be made easily and without additional or multiple changes to existing codes and regulations in use across the Northern Territory, adopting the national approach will be beneficial to customer and electricity entities across the Northern Territory.

**Question 16 - Should the ERS Code be amended to include an obligation on retailers to have an approved hardship policy for small customers? Why?**

Power and Water agrees that customers in the Northern Territory should have consistent protections regardless of their retailer, ensuring consistency for those experiencing financial difficulties.

**Question 17 - If the answer to question 16 is yes, should the Commission consider and approve a retailer's proposed hardship policy based on alignment with the AER's customer hardship guideline, but with some flexibility to provide for the Territory's circumstances? Why?**

Adopting the Australian Energy Regulator's guidelines will allow for a more consistent approach across the Northern Territory. It would also make it easier for interstate market participants, who may have an interest in expanding their operations, to understand obligations and requirements in the Northern Territory as this would promote greater consistency with national arrangements.



## **Appendix 1 – Issues and Concerns with Removing Clause 5.1.1 and 5.1.2**

### ***Market Settlement Impacts***

It is important to note that current market system settlement arrangements are highly manual and done via an excel spreadsheet. Under current arrangements the market is settled by balancing the energy produced by generators against the energy consumed by retailers' customers based on 30 minute intervals over the month using the 'settlement by difference' calculation, which essentially equates to:

*Total Generation – Third Party Retail Consumption = Jacana's Total Consumption (interval and accumulation)*

This formula relies on all third party retail customers having interval meters so that Power Water, as the Market Operator, can accurately measure and remove their consumption from Jacana's total consumption to settle the market. Under current arrangements Jacana is the only retailer with accumulation meters allowing for a settlement by difference approach.

Consequently, removing the restriction for other retail customers to have interval meters fundamentally undermines the current market settlement model and introduces significant complexity into the market settlement process. Implementing this change will require additional resourcing to settle the market and will significantly increase the complexity and time required to undertake market settlement.

This will undermine the efficient operation of the market as it would introduce issues in correctly allocating consumption to market participants and determining the correct distribution loss factors that should be applied. This will have subsequent billing implications for market participants and would require the use of deemed profiling<sup>2</sup> to settle the market which will require substantial manual effort and new systems to undertaken and is likely to give rise to accuracy issues. To be able to accommodate this change, mid-month churns would have to cease and churns would need to coincide with next meter (this may be up to 2-3 months unless the customer elects a special meter read) for the Market Operator to be able to settle the market. The cost associated with these changes are likely to be significant and will ultimately be borne by customers.

### ***Market Reform Impacts***

It is important to note that NTEM reforms being led by the DTF assume interval meters will be used to conduct future settlements. The requirement to have more precise and complex metering information is essential in assigning three separate loss factors between the generator and end use customer. This will not be able to be calculated accurately if accumulation meters continue to be used.

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<sup>2</sup> The settlement system settles every 30minutes between generators and retailers. Interval meters provide a breakdown of data every 30 minutes to allow for settlement, while accumulation meters only provide one total for the entire month. Consequently to be able to include accumulation meters in market settlement instead of the settle by difference approach would require deemed profiling which takes an estimate (using historic data) total for the month in breaks this into 30minute intervals to allow for settlement.