

Northern Territory Electricity Supply: What does it mean to be a “Contestable Customer”?

Movements and players in the market

As of 1 April 2002, customers with annual electricity consumption levels at particular sites down to 750 megawatt hours (per annum) will be able to choose their electricity suppliers.

Competition in the Northern Territory electricity market commenced on 1 April 2000 and since then there have been three tranches, or groups of customers, classified as contestable. Contestable customers are those customers who are now able to choose their electricity supplier.

What is the critical level of power consumption?

Contestability is defined under the *Electricity Reform (Administration) Regulations* and is based on a consumer's annual electricity consumption at a single site. Consumption may be measured by:

- Actual total consumption at a single site during a consecutive twelve month period since July 1998; or
- Estimated consumption during a future consecutive twelve month period (if the customer did not consume electricity before 1 July 1998) or if expansion of the business causes the level of estimated consumption to rise.

A customer is classified as contestable if their annual consumption has, by the date specified in column 1, reached the minimum consumption level specified in column 2:

Column 1 Date for introduction of Competition	Column 2 Minimum consumption level
1 April 2000	4 gigawatt hours per annum
1 October 2000	3 gigawatt hours per annum
1 April 2001	2 gigawatt hours per annum
1 April 2002	750 megawatt hours per annum
1 April 2003	160 megawatt hours per annum
1 April 2005*	All customers

* A public benefits test will be undertaken in 2002 in order to determine whether the electricity market should proceed to 'full retail contestability.'

Am I a tranche 4 customer?

If you qualify as a tranche 4 contestable customer, you will have recently received a Certificate of Contestability from PAWA stating that you are able to choose your electricity supplier from 1 April 2002. While the certificate itself doesn't have effect in law (as contestability is not determined by the holding of a certificate, rather your consumption of electricity), it is a good starting point to identify your customer status.

If, given your current consumption, you believe that you should be included in tranche 4, please contact PAWA.

If you believe that you may become contestable because your business is expanding (you estimate your consumption will reach the levels required in column 2 above in a twelve-month period) you may apply to PAWA for a contestable certificate.

So, I am a contestable customer for 1 April 2002, what now?

All tranche 4 contestable customers will have recently received a letter from the Commission. Important information to note from the letter includes:

"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 were known to NT Power. Accordingly, both retailers have agreed to refrain from executing a contract for the supply of electricity to individual contestable customers until at least 14 days after the date on which the Utilities Commission advises all licensed retailers that the customer is contestable. With regard to tranche 4 customers, the date of that advice is 26 October 2001."

This means that retailers have agreed that, while they may undertake informal discussions with you regarding your electricity supply, a contract (or a letter of intent) cannot be signed with you until after the above date. Once all retailers have been notified of the identity of the customers and their expected date of contestability, PAWA and any other supplier may then enter into a contract with a contestable customer under the new arrangements. While a contract may be executed after this date, the effective date for commencement of supply under such contracts cannot be before the date of your contestability.

What is a Grace Period?

If you are unsure or confused about your status, you do not have to negotiate a contract straight away. In fact, not all retailers will be offering to supply contestable customers in all regions. You have the option to remain on your existing supply arrangements and tariff schedule with PAWA for up to two years from the date you become eligible as a contestable customer. This two-year period is called a 'grace period'.

During this time, your options may become clearer or, in some regions where this is not currently the case, a choice of retailers may become available. However, once the two year period has expired, all contestable customers must have contracts with a licensed retailer on negotiated terms and conditions.

If you are currently on a grace period, or are thinking of going on one, you may find that on its expiry the price you are able to negotiate will be higher than the price you received on the grace period. The reasons for this will vary, but may include that the grace period tariff does not reflect the true costs of supplying electricity to your site.

Who shall I contact?

There are currently two entities in the market that have been issued with licenses to retail electricity:

Power and Water Authority

Mr Edwin Agcaoili
Ph: (08) 8924 7250
Fax: (08) 8924 7095

NT Power Group

Mr Jeff Hutchison
Ph: (08) 8932 2140
Fax: (08) 8932 2118

What issues should I raise with a retailer seeking my business?

When you become contestable, you will have the choice to:

- Stay with PAWA Retail; or
- Move to a new retail supplier of your choice.

Your retail supplier will either purchase electricity directly from a generator, or generate itself and settle the regulated network tariffs with the network operator in your area. It is likely that they will pass these costs on to you. The network tariff paid by a retail supplier for use of the networks will not exceed maximum levels to be approved from time to time by the Utilities Commission.

The energy charge you pay, being for the electricity you use, will be a matter for negotiation. The network charge you pay is likely to represent a pass-through of the network usage costs charged to your retail supplier, and that component of the overall cost of supply is unlikely to be negotiable.

The Commission offers the following questions for you to consider prior to negotiating your electricity supply contract. You will need to be aware of the needs of your business in order to bargain for the best available product.

How much electricity do you need?

Look to the previous twelve months worth of bills to ascertain how much electricity you consume. Do you have any plans to expand your business or install new equipment which will increase (or decrease) your electricity usage?

When do you use electricity?

Does your business use electricity 5 or 7 days per week?

What time of the day does your business use electricity? Eg day, night, afternoon?

Does your business use the same amount of electricity throughout the year or do you use more during a certain time of the year? Eg increased costs during the wet season?

What sort of reliability of supply do you require?

Could your business operate with an interruptible supply contract? (This means that while you would pay less for the supply, the retailer would be able to turn off your supply at peak demand, or other times to be defined in the contract).

What are your reliability or quality requirements?

What sort of price/risk trade off are you willing to accept?

Are you looking for a firm price or are you willing to negotiate?

What are the network costs of supply?

What is the future cost escalation?

What length of contract do you want?

What costs and penalties are attached to an early termination of the contract?

What sorts of payment schedules are best for your business?

Price

You may find it easier to compare your electricity quotes, if you request them to be detailed in parts:

1. The energy charge;
2. The network charge;
3. The overall charge to you as the customer.

Where can I go if I need help to negotiate my contract?

The contractual terms and conditions negotiated between you and your retailer will remain the responsibility of you as the customer. Some legal and accounting firms do offer specialist electricity advice and the Commission will play a limited role in ensuring that all available information is given to you regarding the state of the market.

What if I have a problem with my retailer, once they are selected?

Until you qualify as a contestable customer, you will continue to have access to the Ombudsman for the Northern Territory if you have a complaint against PAWA.

Once you qualify as a contestable customer, any complaints you have should be raised with your retailer in the first instance. This is the case even if your complaints are to do with supply quality and reliability. In this instance, your Retailer will negotiate on your behalf with the generator or the network provider. If you are unable to reach a solution, you may request the Commission to arbitrate the dispute.

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