

Competition in Electricity Supply: Competition Has Begun

1. Where are we at?

Competition in the Northern Territory electricity market commenced 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 have been negotiated and competition began in practice with NT Power commencing to supply their customers on 15 April 2000.

Network prices approved by the Utilities Commission for the interim period 1 April to 30 June 2000 have been extended for a short period, while PAWA and the Commission finalise pricing principles and price schedules for the remainder of the regulatory period.

A Code setting out the protocols being used by the Power System Controller for load shedding purposes is also being developed.

The Utilities Commission has issued a provisional Ringfencing Code, with which PAWA must comply. Ringfencing is necessary because PAWA operates in both regulated and competitive markets. The Code seeks to limit PAWA's ability to extend its monopoly powers from its regulated businesses (networks and franchise retail) to the contestable parts of the industry (generation and contestable retail), as well as to ensure that regulated activities do not cross-subsidise contestable activities. This provisional Code is to be replaced with a more extensive Code in September 2000, with the replacements Code being developed through industry and public consultation.

2. Who is 'contestable'?

Contestability is defined by the *Electricity Reform (Administration) Regulations*.

Contestability is based on a customer's annual electricity consumption at a single site. Consumption may be measured by:

- actual total consumption at a single site during and consecutive twelve month period since 1 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 estimated consumption to rise.

A customer is contestable if their annual consumption of electricity has, by the date specified in Column 1, reached the minimum consumption level specified opposite 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

3. When will I find out officially that I am contestable?

PAWA has advised the Utilities Commission of the following procedures that they intend to follow in advising customers of their potential contestability and entering into contracts to supply them with electricity:

1. Customers will be issued with a "Certificate of Contestability" in accordance with Regulation 6 of the *Electricity Reform (Administration) Regulations*.

This certificate will be issued not less than 28 days before the contestability date expected by the Power and Water Authority in accordance PAWA's retail licence.

Customers may apply to PAWA for a Certificate of Contestability not more than 90 days before the date that they believe they will be contestable.

PAWA must reply to the customer within 14 days of the application by either issuing the Certificate of Contestability or refusing to issue it.

2. The Certificate of Contestability will state the customer's name, the site or sites of the customer to which the certification relates and that PAWA is satisfied that the customer is a contestable customer as determined by Regulation 6.

3. A copy of the Certificate of Contestability will be forwarded to the Utilities Commission within one working day of issue.

4. The Utilities Commission will issue all licensed retailers in the NT electricity market with the names of customers who have been issued with a Certificate of Contestability within five working days of receipt of the copy of the Certificate.

5. The Utilities Commission will provide customers who have been issued with a Certificate of Contestability with a list of the licensed Retailers operating in the NT electricity market and related matters within five working days of receipt of the copy of the Certificate of Contestability.

6. 14 days after the date on which the Utilities Commission advises all licensed retailers under 4. above, the customer will be free to execute a contract for the supply of electricity with the retailer of their choice.

7. The contract start date may not be a date prior to the date of contestability.

4. I think I should be contestable but I haven't received a certificate from PAWA, what do I do?

If you are contestable on the basis of your actual total consumption at a single site during and consecutive twelve month period since 1 July 1998, PAWA should notify you at least 28 days prior to the date on which you will become contestable. If this has not occurred, please contact PAWA.

If you believe you may be contestable because your business is expanding and you estimate that your consumption during a future consecutive twelve month period will reach the required level, you may apply to PAWA for a contestable customer certificate.

The application cannot be made earlier than 90 days before the relevant date specified in column 1 of the table above.

The application must be in writing and state your name and the site (or sites) to which the application relates, as well as enough supporting information to allow PAWA to reasonably consider your application.

PAWA must reply to you within 14 days after receiving all necessary information relevant to the application. If PAWA does not reply within 14 days, it is to be taken to have refused to issue the certificate.

If PAWA refuses to issue you with a contestable customer certificate, you may ask the Utilities Commission to decide whether the certificate should have been issued.

5. Who can sell to 'contestable' customers?

There are currently two parties licensed to sell electricity to end-use customers in the Northern Territory:

Power and Water Authority

Ms Lorraine Corowa
Ph: (08) 8924 7444
Fax: (08) 8924 7212

NT Power Group

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

6. I have been notified by PAWA that I am contestable, what do I need to do now?

You do not have to do anything straight away. You are able to remain on your existing supply arrangements and tariff schedule with PAWA for up to two years from the date you become eligible to be a contestable customer. After that time, all contestable customers are to have contracts with a licensed supplier on negotiated terms and conditions, be it with PAWA or otherwise.

It is expected, however, that you will be approached by retail suppliers to enter into a contract. To ensure that you are able to make the most informed choice, you should not feel compelled to sign up to contractual

arrangements with any retail supplier until the arrangements and prices are known to you and your options are clear.

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.

7. What if, at some time in the future, I scale down my business so that I no longer qualify as contestable?

Once a customer is identified as being contestable at a particular site, the customer is always contestable at that site. This may, in isolated cases, result in some 'orphan' customers.

Under the terms of their licence, if PAWA receives a request from a contestable customer, PAWA is obligated to provide supply to any customer who has used reasonable endeavours to obtain an offer from retailers other than PAWA and has failed to receive an offer that is reasonable.

PAWA must offer to sell electricity to that customer on terms which are fair and reasonable in the opinion of the Utilities Commission.

8. What do I do if I have a problem?

Until you qualify as contestable, 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 about the service you receive as a contestable customer should be raised directly with your supplier. If your complaint has to do with supply quality and reliability, your supplier will have the responsibility of taking up these problems on your behalf with the network and generation businesses involved. If you are unable to reach a resolution, you will then be able to seek the assistance of the Utilities Commission.

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