



21 April 2010

The Utilities Commission  
GPO Box 915  
DARWIN NT 0801

Dear Sir

### **NTMEU supports NT Financial Customer Service Incentive Schemes**

The Northern Territory Major Energy Users (NTMEU) supports the Utilities Commission's review into options for the implementation of a financially driven incentive scheme to reward or penalise Power and Water Corporation (PWC) for its network service performance and for a guaranteed service level scheme to compensate individual customers if PWC does not meet minimum acceptable standards of service.

The NTMEU is aware of the financially driven incentive schemes operating in other Australian jurisdictions and has a preference for the way they operate in Victoria and SA. Both Victoria and South Australia have similar and appropriately balanced schemes, which have been in operation since 2000 and 2002 respectively. Both schemes have much to offer and the NT scheme could be based on either, although the Victorian scheme has perhaps been refined further than the SA scheme with its greater focus on poor performing feeders.

The positive attributes of these schemes are:

- Well-established schemes, now operating successfully over 2 regulatory periods
- Adequate and appropriate trade-off between targets, incentives and penalties
- Sufficient financial drivers that seek to achieve efficiency

The NTMEU is not supportive of the AER service performance scheme (such as is in operation in NSW), which is somewhat underwhelming and does not provide the degree of incentive that a distribution network requires, nor does it focus on the network elements most in need of attention. The financial stakes in the scheme are

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easily overtaken by any 'gaming' by the distributor in other areas of the building block regulatory mechanism.

The NTMEU considers the NT GSL scheme should also be based on the Victorian or SA GSL models.

As PWC is the monopoly generator, network provider and retailer, the NT financially driven customer service incentive scheme should cover all sectors of the energy chain, appropriately adjusted.

The NTMEU looks forward to providing further comments upon the release of the UC's draft report.

Yours sincerely

Michael Williams  
Chair, NTEU