



# **Annual Report 2017-18**

Utilities Commission of the  
Northern Territory

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This Annual Report is submitted to the Treasurer, the Hon Nicole Manison MLA, in accordance with section 35 of the *Utilities Commission Act 2000*.

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# Abbreviations and acronyms

ADG	Airport Development Group
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
commission	The Utilities Commission of the Northern Territory
CPI	consumer price index
DPO	Darwin Port Operations Pty Ltd
EDL	EDL NGD (NT) Pty Ltd
EIP Code	Electricity Industry Performance Code
electricity network	An electricity network as defined in the <i>Electricity Reform Act</i>
EPO	Electricity Pricing Order
ERM	ERM Power Retail Pty Ltd
ERS Code	Electricity Retail Supply Code
ESS Code	Electricity Standards of Service Code
GEMCO	Groote Eylandt Mining Company Pty Ltd
generation	Generation of electricity as defined in the <i>Electricity Reform Act</i>
GSL Code	Guaranteed Service Level Code
GT	gross ton
IEEE	US Institute of Electrical and Electronic Engineers
IES	Indigenous Essential Services
I-NTEM	Interim Northern Territory Electricity Market
IPP	independent power producer
ISO	isolated system operations
Jacana Energy	Power Retail Corporation, a government owned corporation established in accordance with the <i>Government Owned Corporations Act</i> and trading as Jacana Energy
MED	major event days
MWh	megawatt hours
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules



NTEM	Northern Territory Electricity Market
PMA	<i>Ports Management Act</i>
PSR	Power System Review
PV	photovoltaic
QEnergy	QEnergy Limited
regulated power systems	Refers to the Darwin-Katherine, Alice Springs and Tennant Creek power systems
Rimfire	Rimfire Energy Pty Ltd
SAIDI	System Average Interruption Duration Index – the average number of minutes a customer is without supply in a given period
SAIFI	System Average Interruption Frequency Index – the average number of times a customer's supply is interrupted in a given period
SCTC	System Control Technical Code
SMMP	Safety Management and Mitigation Plan
SSG	Secure System Guidelines
structural separation	The structural separation of Power and Water Corporation's retail and generation business units into Jacana Energy and Territory Generation in accordance with the <i>Government Owned Corporations Act</i> , effective from 1 July 2014
System Control	The System Control business unit of Power and Water Corporation
TC Marcus	Tropical Cyclone Marcus
Territory Generation	Power Generation Corporation, a government owned corporation established in accordance with the <i>Government Owned Corporations Act</i> and trading as Territory Generation
Minister	For electricity, water and sewerage, the regulatory minister (the Treasurer) For ports, the Minister for Infrastructure, Planning and Logistics
Tmed	Threshold major event day

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The Honourable Nicole Manison MLA

Treasurer

GPO Box 3146

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Dear Treasurer

In accordance with section 35 of the *Utilities Commission Act* (Act), I am pleased to present the Annual Report for the Utilities Commission of the Northern Territory (commission) for the year ending 30 June 2018. The report covers:

- the administration of the Act during the 2017-18 year
- the activities of the commission under the *Electricity Reform Act*, *Water Supply and Sewerage Services Act*, and the *Ports Management Act* during the year.

The commission notes the Act provides that a copy of this report is to be tabled in the Legislative Assembly within six sitting days of receipt.

Yours sincerely

A handwritten signature in black ink, appearing to read "Dr Patrick Walsh". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Dr Patrick Walsh

Utilities Commissioner

28 September 2018

# Commissioner's overview

The Utilities Commission, as a general independent economic regulator for the Northern Territory, can play an important role in the Territory's economy, driving economic efficiency gains and enhancing consumer protections in regulated industries. It is also well placed to provide advice to the Northern Territory Government on future economic reforms and initiatives, particularly in regulated industries. The commission's current regulatory role involves the electricity, water and sewerage, and ports industries.

In undertaking its work, the commission places great importance on effective consultation with its various stakeholders, which include regulated businesses, consumers of the services provided by those businesses, and government. The commission also seeks to ensure that its regulatory work complements, as far as possible, policy reforms that the government may be implementing in regulated industries. The commission is necessarily involved in the reform initiatives of the government, which introduced much greater levels of renewable energy-based electricity generation and further market reforms in the electricity sector.

An important focus of the commission's work in 2017-18 has been its role as economic regulator for the Port of Darwin, as established by the *Ports Management Act* (PMA). This role, which commenced in November 2015, involves monitoring of prices of prescribed services provided by the port operator together with administration of a negotiate/arbitrate regime for access to those same services.

In November 2017, the commission commenced a review of the regime, as required by the PMA. The existence of the regime is founded on a view that the port operator holds market power in relation to the prescribed services and may therefore be in a position to raise prices or reduce the level of its services. The review concerns whether or not the regime continues to be necessary, the form of price and access regulation and possible amendments to the regime to make it more fit-for-purpose. The commission has undertaken an extensive technical and economic analysis, including price benchmarking, in support of the review. In February 2018 the commission released a consultation paper on key issues for consideration by the review and on 1 August released a Draft Report. The commission is required to submit a final report on the review to the Minister for Infrastructure, Planning and Logistics by November 2018.

The commission prepared the 2016-17 Power System Review (PSR) during the year (released July 2018). This important document provides forecasts of future power system demand and capacity and also reviews trends in system performance: its focus is on the Darwin-Katherine, Alice Springs, and Tennant Creek power systems. Later sections of this report provide details regarding the commission's conclusions. The PSR highlights the significant impact of increasing levels of renewable energy generation on future system demand, leading to impacts on system security and reliability without corrective action.

In March 2018 Cyclone Marcus impacted Darwin and has now been officially named as the most damaging storm since Cyclone Tracy, which devastated the city in 1974. Heavy rainfall, damaging winds in excess of 130km per hour and fallen trees caused major damage to Power and Water Corporation's power network infrastructure, leading to just over 28 500 customers (33 per cent of Power and Water Corporation's customer base) without power. The commission has devoted a chapter to this event.

During the year the commission considered several applications for electricity generation licences relating to solar photovoltaic (PV) cell projects. The commission's consideration of such applications is based on relevant legislative criteria. Three such applications have been approved: a 25 MW PV project near Katherine; a 10 MW PV project at Batchelor and a 5.5 MW PV project at Darwin Airport, although these licences had not been issued by June 2018. In approving such applications, the commission is aware of the adverse system security risks associated with significant amounts of highly variable renewable energy generation being introduced into the relevant power systems. Measures to address such risks, such as enhanced generator performance standards, are being developed by the System Control unit of Power and Water Corporation, and licensees will need to comply with such measures as amended from time to time.

The commission's regulatory role in the water and sewerage industry is relatively limited. It licenses the operation of Power and Water Corporation in the industry and administers a pricing order issued by the minister which sets consumer prices. The commission is concerned at the lack of drivers for efficiency gains by Power and Water Corporation in its water and sewerage operations, and at the absence of effective monitoring and reporting of the performance of Power and Water Corporation in delivering water and sewerage services to consumers. During the year it corresponded with the Treasurer on these matters.

For the first nine months of the year, the commission was comprised solely of myself as the Utilities Commissioner, a situation which had persisted since June 2016. In April 2018, the Treasurer appointed two associate commissioners in accordance with the *Utilities Commission Act*, Lyndon Rowe and Richard Owens. Each brings to the commission's deliberations extensive experience and expertise in economic regulation and I look forward to their contribution to the future work of the commission.

The commission operates with a small staffing level, with staff seconded from the Department of Treasury and Finance. On behalf of the commissioners, I thank our staff for their high levels of engagement, commitment and professionalism in the conduct of the commission's work. This has ensured an ongoing high level of quality in the output of the commission. I also thank the Under Treasurer for the support provided by the Department of Treasury and Finance to the commission.

More generally, I thank all of the commission's stakeholders for their willingness to engage, debate and assist in the activities of the commission. Stakeholder input and advice is vital to ensure the ongoing relevance of the commission's work.

The commission looks forward to another challenging and busy year in 2018-19.

A handwritten signature in black ink, appearing to read 'P Walsh', with a long horizontal flourish extending to the right.

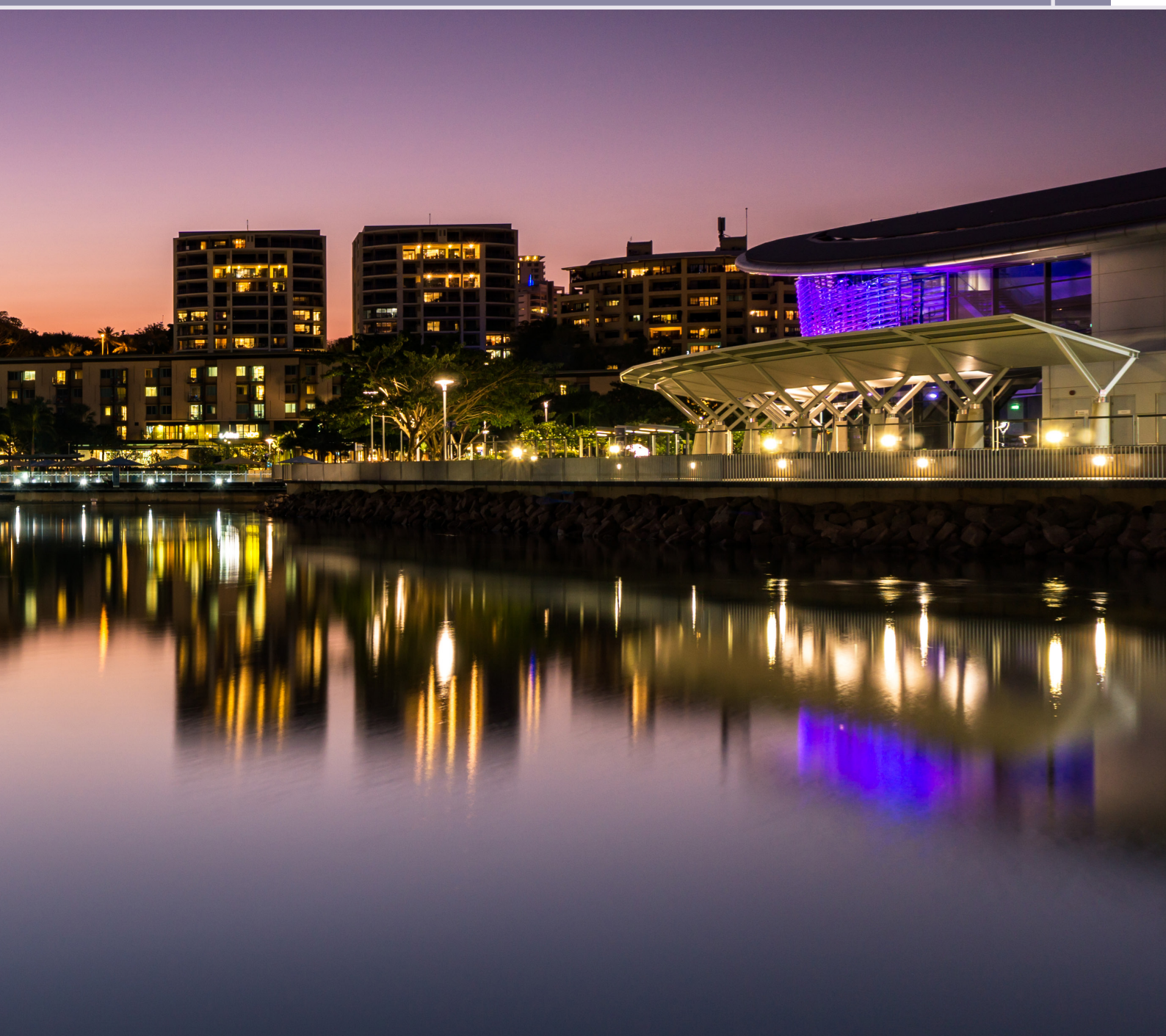
Dr Patrick Walsh  
Utilities Commissioner







# 1 | THE COMMISSION



# The Utilities Commission

The Utilities Commission is the independent economic industry regulator for the Northern Territory. It is constituted by the Utilities Commissioner and Associate Commissioners. The *Utilities Commission Act* (section 6(1)) defines a general set of functions for the commission. However, the commission's specific roles in regulated industries are defined in industry-specific legislation.

In addition to its functions and powers for the economic regulation of electricity supply, water supply and sewerage services, and declared ports in the Territory, the commission also provides advice to the minister on regulatory matters.

## Objective

The object of the *Utilities Commission Act* is to create an economic regulatory framework for regulated industries that promotes and safeguards competition and fair and efficient market conduct or, in the absence of a competitive market, promotes the simulation of competitive market conduct and the prevention of the misuse of monopoly power.

Based on the *Utilities Commission Act*, the commission has developed a strategic statement:

The Utilities Commission seeks to protect the long-term interests of consumers of services provided by regulated industries with respect to price, reliability and quality. The commission will seek to ensure consumer requirements are met by enhancing the economic efficiency of regulated industries through promoting competition, fair and efficient market conduct, and effective independent regulation.

## Commissioners

Dr Patrick Walsh is the Utilities Commissioner, and Lyndon Rowe and Richard Owens are the Associate Commissioners.

Dr Patrick Walsh was appointed to a five-year term as the Utilities Commissioner on 28 October 2011, and subsequently appointed to a second five-year term on 28 October 2016. Dr Walsh served as the Chairperson of the Essential Services Commission of South Australia between 2005 and 2016, and was also Chief Executive Officer of that body between 2005 and 2010. He is a Fellow of the Australian Institute of Energy and Member of the Australian Institute of Company Directors. He holds a PhD (Applied Mathematics) and MBA, both from the University of Adelaide.

Mr Lyndon Rowe was appointed as an Associate Commissioner (part-time) of the commission on 6 April 2018. Mr Rowe is currently a Director of Perth Airport Pty Ltd and associated companies. From 2014 to 2017, he was the full-time Chair of the Electricity Generation and Retail Corporation of Western Australia (trading as Synergy). For the previous ten years, Lyndon was the inaugural Executive Chair of the Economic Regulation Authority of Western Australia. Lyndon is a Fellow of the Australian Institute of Company Directors and has an economics degree from the University of Adelaide.

Mr Richard Owens was appointed as an Associate Utilities Commissioner (part-time) on 6 April 2018. Mr Owens also works part-time as Executive General Manager, Networks at the Australian Energy Market Commission (AEMC). He was a member of the task-force for the Finkel review into the future security of the national electricity market and previously worked as a lawyer in major law firms and government specialising in utility regulation and competition, and consumer law. He has a Bachelor of Laws (Hons) and



a Master of Laws and is a graduate of the University of California, Berkeley Executive Leadership Program. Mr Owens is a fellow of the Australian Institute of Energy, a graduate member of the Australian Institute of Company Directors and a member of the Institute of Managers and Leaders.

### Commission meetings and decisions

The commissioners and commission staff regularly meet to consider and discuss commission projects and issues. During 2017-18, the commission met nine times (six times in person and three by teleconference). As Richard Owens and Lyndon Rowe were appointed in April 2018, they participated in the three meetings held after their appointment.

Appendix A sets out the commission meetings and decisions (approvals) that occurred in 2017-18.

## Functions and priorities

The commission's functions and powers are defined in the *Utilities Commission Act*, with specific responsibilities regarding a particular industry assigned to the commission by provisions in relevant industry regulation Acts.

In summary, the key functions of the *Utilities Commission Act* are:

- price regulation
- licensing
- compliance and promotion of improvement in standards and conditions of service and supply
- to establish and review codes and rules
- resolve complaints
- improve transparency
- to advise the minister
- any other function assigned by the minister.

Based on these general functions, the commission has established its key strategic priorities for 2018. These are:

1. Ports Regime Review – complete the review of access and pricing regime for Port of Darwin by November 2018.
2. Transparency: Power System Review – finalise the 2016-17 Power System Review (PSR) by the second quarter of 2018.
3. Advice: market reforms – participate in developing and implementing the government's electricity reform program and renewable energy plan.
4. Licensing and technical issues: consider and consult on licence applications in a timely manner, work with System Control to develop and implement necessary technical standards and review licensing requirements.
5. Compliance: compliance monitoring and reporting (including necessary auditing).

6. Regulation: undertake ongoing regulatory functions in an efficient and effective manner.
7. Resourcing: ensure the commission has the resources necessary to undertake its regulatory functions in an effective manner.

## 1. Ports Regime Review

See Chapter 2 for a full discussion.

## 2. Transparency

The commission places a priority on building trust with licence holders and stakeholders by engaging genuinely and being transparent with its various stakeholders (including regulated businesses, consumers of the services provided by those businesses, and government).

The commissioners regularly met with stakeholders and licence holders across the year. The commission held 33 meetings, which on occasion involved multiple licences and industries. Table 1 outlines the engagements held by the commissioners across 2017-18.

Table 1: Engagement by commissioners across 2017-18

Types of entities engaged	Number
Treasurer (or Treasurer's Office)	3
Government agencies	8
Licence holders	10
System control	3
Darwin Port operations	4
Port users	5

Additional to the above, to introduce the two new associate commissioners to interested parties, the commission also held, in April 2018, a meet and greet function with stakeholders.

The commissioner's engagement with interested parties is supplemented by regular meetings with commission staff.

The commission also seeks to ensure regulated businesses are held accountable through monitoring and transparency (including public reporting) of performance.

See Chapter 3 for a full discussion on the commission's 2016-17 PSR, which includes a review of electricity licence holder's performance. The 2016-17 PSR underwent a major restructure to ensure stakeholders were provided with the necessary information in a clear and precise manner. The commission seeks to make all of its published documents plain language documents that will be understood by a wide variety of stakeholders.

The commission seeks to publish and consult on all of its reviews and licence applications, and also publishes annual reports on electricity, water and sewerage licence holders' compliance with their licence conditions and on the Darwin Port operators' compliance with its Access Policy and Pricing Determination.

### 3. Advice

The commission seeks to inform licence holders, stakeholders, government and the general public through a variety of methods. The commission will continue to engage and provide advice to the Territory Government on policy developments that may impact consumers and the commission's regulatory functions.

#### General advice and information

The commission places a strong emphasis on undertaking its reviews and decisions in a transparent manner. The commission also publishes a number of documents on its website providing information on declared regulated industries in the Territory.

Further, the commission responds directly to queries from government agencies, the media, customers and the community on the role of the commission, the Territory electricity, water, sewerage, port industries, and general economic regulator matters.

For example, the commission has provided officer level advice to the government regarding the government's 50 per cent renewable energy policy and electricity market reforms during 2017-18.

#### Ministerial advice

The commission, when requested, advises the minister on any matter. The commission did not receive any formal requests for advice from the regulatory minister during 2017-18.

#### Complaints

The commission has a role to investigate and help resolve complaints relating to the conduct or operations of licensed entities. The commission did not receive any formal complaints against electricity entities during 2017-18.

### 4. Licensing

The commission performs licensing functions across the electricity, water and sewerage industries.

In 2017-18 the commission considered four electricity generation licence applications and one electricity retail licence application. Additionally, other potential licence applicants have requested information and meetings with the commission during 2017-18.

The commission also reviewed, consulted and subsequently amended the Independent Power Producers (IPP) licences. Further information on electricity licensing is detailed in Chapter 3.

No licence applications were received for water supply or sewerage services.

### 5. Compliance

The commission seeks to ensure and enforce compliance with, and promote improvements in, standards and conditions of service and supply. As a condition of licence, licensees are required to submit an annual compliance report. The commission normally publishes a summary of these reports.

The commission uses the guiding principles of voluntary compliance, a risk-based approach, education and communication, transparency, consistency and flexibility, and continuous improvement in developing its compliance framework.

In November 2015, the commission published the Compliance Framework and Reporting Guidelines. The guidelines state compliance reports are to be provided to the commission by 31 August each year.

Compliance reports are to describe the measures taken by the licensee to ensure compliance with its regulatory obligations under the licence or by applicable legislation. Specifically, licensees are required to provide to the commission a declaration of responsibility from the Board (or appropriate alternative) of the licensee, which includes:

- that the licensee maintains an appropriate compliance framework that complies with the requirements of its licence as set out in the Compliance Framework and Reporting Guidelines
- the licensee has complied with all licence obligations during the immediately preceding financial year, with the exception of non-compliances listed in the declaration.

The objectives set out in the Compliance Framework and Reporting Guidelines are to:

- communicate to regulated entities and industry participants the commission's compliance objectives and expectations in relation to regulatory compliance
- communicate to regulated entities the value of adopting and endorsing a compliance framework to ensure compliance with the legislative framework
- inform regulated entities, industry participants and stakeholders about compliance monitoring and reporting
- clarify the enforcement and disciplinary process in cases of non-compliance.

A licensee must also separately lodge an annual licence return with the commission by 1 August each year, confirming the major office holders, ongoing financial viability and information necessary to calculate licence fees.<sup>1</sup>

### Annual compliance reports

The following licensees were required to submit compliance reports in 2017-18, for the 2016-17 year.

Table 2: 2016-17 Licence compliance report requirements

Licensee	Licence
EDL NGD (NT) Pty Ltd	Generation, retail
ERM Power Retail Pty Ltd	Retail
Jacana Energy	Retail
Power and Water Corporation	Network, System Control, generation, retail, water supply services, sewerage supply service
QEnergy Limited	Retail
Rimfire Energy Pty Ltd	Retail
Territory Generation	Generation

In August 2016, Power and Water Corporation, Territory Generation, Jacana Energy, QEnergy, Rimfire, EDL and ERM lodged annual compliance reports for the 2016-17 financial year. Holders of special licences are not required to submit an annual compliance report.

<sup>1</sup> Under both the *Electricity Reform Act* and *Water Supply and Sewerage Services Act*.

No material breaches were reported from licensees.

The commission also has the power to undertake compliance audits, as required. In 2017-18 the commission published a Technical Audit and Spinning Reserve review of Power and Water Corporation and Territory Generation, and undertook an audit of Power and Water Corporation and Jacana Energy regarding compliance with the 2016-17 Pricing Orders. Further details are available in Chapter 5.

## 6. Regulation

The *Utilities Commission Act* sets out the functions of the commission. A number of these functions are discussed above. Additional to above, the commission's role also includes pricing, establishing, updating and approving codes and guidelines, approving certain agreements and reporting on industry performance.

The commission continues to monitor prices charged by Jacana Energy and Power and Water Corporation (including in regional and remote communities) in accordance with the Electricity Pricing Order and Water Supply and Sewerage Services Pricing Order.

The commission also monitors prices charged by the private port operator for prescribed services for the Port of Darwin. Further information on port price increases in 2017-18 is detailed in Chapter 2.

During 2017-18 the commission replaced the Electricity Standard of Service and Guaranteed Service Level codes with a new code, the Electricity Industry Performance (EIP) Code. The commission also continued to review the Electricity Retail Supply Code (Chapter 3) and approved the Trade Waste Code as proposed by Power and Water Corporation (Chapter 4). Appendix D provides summary information on the commission's various codes.

The commission's main report is the PSR, which is a legislative requirement of the *Electricity Reform Act*.

## 7. Resourcing

The commission is supported by four staff seconded from the Department of Treasury and Finance (Northern Territory). The commission also engages the services of consultants and legal advisors as needed.

Section 13 of the *Utilities Commission Act* provides for the staff of the commission to comprise Territory public servants assigned to assist the commission.

### Commission funding

The commission is funded directly from consolidated revenue. Appendix B provides a summary of the commission's financial outcomes in 2017-18. Total direct expenditure for 2017-18 was \$1.06 million.

The commission charges licence application fees and annual licence fees, which are receipted directly into consolidated revenue. Fees are fixed for a particular type of licence by the minister and are an amount the minister considers to be a reasonable contribution towards administrative costs of the commission. Total licence fee revenue for 2017-18 was \$0.49 million, which relates mostly to electricity licences.

The commission also engages appropriate expert advice through the use of consultants and legal advice (see Appendix C for additional detail). Total expenditure on expert advice was \$0.44 million in 2017-18.

## Legislation by industry

### General

The *Utilities Commission Act* establishes the commission's objectives, functions and powers. No changes were made to this Act during 2017-18.

Table 3 provides a high level overview of the legislation, associated regulations and key responsibilities given to the commission.

Table 3: Electricity, ports, and water and sewerage

	Electricity	Ports	Water Supply and Sewerage
Legislation	<ul style="list-style-type: none"> <li>• <i>Electricity Reform Act</i></li> <li>• <i>Electricity Networks (Third Party Access) Act</i></li> <li>• National Electricity Law (NEL) and Rules (NER)</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Ports Management Act</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Water Supply and Sewerage Services Act</i></li> </ul>
Regulation	<ul style="list-style-type: none"> <li>• Electricity Reform (Administration) – Electricity Reform (System Control and Market Operator Functions Code) Regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Ports Management Regulations</li> </ul>	
Responsibilities of the Utilities Commission	<ul style="list-style-type: none"> <li>• Establishment and oversight of codes</li> <li>• Licensing</li> <li>• Compliance</li> <li>• System Control pricing</li> <li>• Reporting and forecasting</li> <li>• Investigating complaints</li> </ul>	<ul style="list-style-type: none"> <li>• Economic regulator of the ports access and pricing regime</li> <li>• Price Determination for price monitoring</li> <li>• Reporting guidelines</li> <li>• Approving the Access Policy</li> <li>• Annual reporting of material instances of non-compliance with the Price Determination or Access Policy</li> <li>• Review of the access and pricing regime</li> </ul>	<ul style="list-style-type: none"> <li>• Water and sewerage pricing compliance</li> <li>• Licensing</li> <li>• Water asset management plans</li> </ul>

### Electricity

The relevant industry legislation applying to the electricity supply industry are the *Electricity Reform Act*, the *Electricity Networks (Third Party Access) Act* and National Electricity Law (NEL) and Rules (NER) as applied in the Northern Territory. The commission has responsibilities under the *Electricity Reform Act*.

From 1 July 2015, a component of the commission's responsibilities was allocated to the national energy regulator, the Australian Energy Regulator (AER). Specifically, responsibility for network price regulation and oversight of network access in accordance with the *Electricity Networks (Third Party Access) Act* and the Network Access Code was transferred to the AER. The main impact is the AER is now responsible for undertaking network services determinations. The AER is working on the next determination with Power and Water Corporation's network business, which is due for completion in April 2019 and commencement on 1 July 2019.

The *National Electricity (Northern Territory) (National Uniform Legislation) Act* commenced in the Territory on 1 July 2015. This Act, among other things, adopts the NER, and enables modifications by Territory regulations. The Territory is undertaking a staged approach with parts of the NER, as modified, being progressively applied from 1 July 2016. Only those sections of the NER required for the AER to undertake the network services determination, and inform Power and Water Corporation's associated regulatory proposal, have been adopted to date.

## Ports

The *Ports Management Act* establishes and defines the ports' access and price regulation regime for which the commission is the economic regulator.

There were no changes made to this Act during 2017-18.

## Water and sewerage

The commission is the economic regulator under the *Water Supply and Sewerage Services Act*. There were no changes made to this Act during 2017-18.

## Codes, rules and access policies

The commission makes, approves and monitors the operation of codes, rules and access relating to the conduct or operations of a regulated industry or licensed entities.

During 2017-18 the commission replaced the Electricity Standards of Service and Guaranteed Service Level codes with a new code, the EIP Code and the commission also continued to review the Electricity Retail Supply Code.

The commission also developed Reporting Guidelines, relating to the Port Access Policy, and approved the Trade Waste Code as proposed by Power and Water Corporation.

Appendix D provides summary information on the commission's various codes.

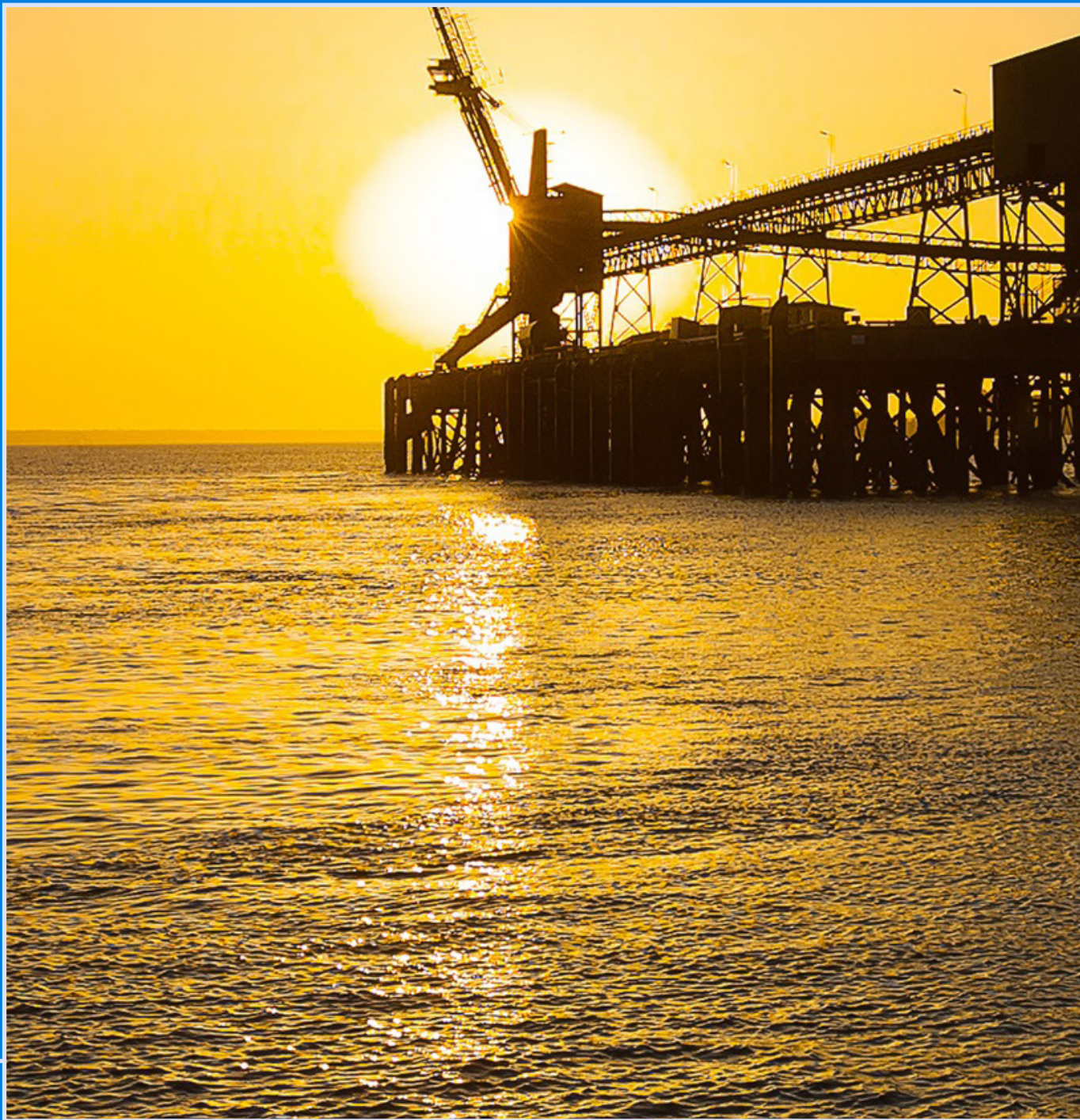
Table 4 provides an overview of the existing framework administered by the commission for the Territory, specifically setting out the various codes, licences and other regulatory rules established under the relevant legislation.

Table 4: Legislative framework administered by the Utilities Commission

Legislation	Codes		Licences	Price regulation
	Developed by the commission	Developed by industry participants, subject to the oversight of the commission		
<i>Electricity Reform Act/ Regulations</i>	Electricity Industry Performance Code (previously Standards of Service Code and Guaranteed Service level Code)  Ring-fencing Code  Electricity Retail Supply Code  Energy Loss Factors Code	System Control Technical Code  Network Technical Code (1)	Retail licences Generation licence Network licences System Control licence  Special licences: <ul style="list-style-type: none"> <li>• independent power producer and isolated systems</li> <li>• licence exemptions (including small scale renewables exemption)</li> </ul>	Compliance with government's Electricity Price Order for customers using < 750MWh per annum   System Control Technical Code: <ul style="list-style-type: none"> <li>• System Control prices</li> <li>• Ancillary Services prices</li> </ul>
<i>Ports Management Act/ Regulations</i>		Port Operator's Access Policy		Price Determination for price monitoring
<i>Water Supply and Sewerage Services Act</i>		Trade Waste Code Water Metering Code	Sewerage licence Water licence Licence exemptions	Compliance with government's Water and Sewerage Pricing Order

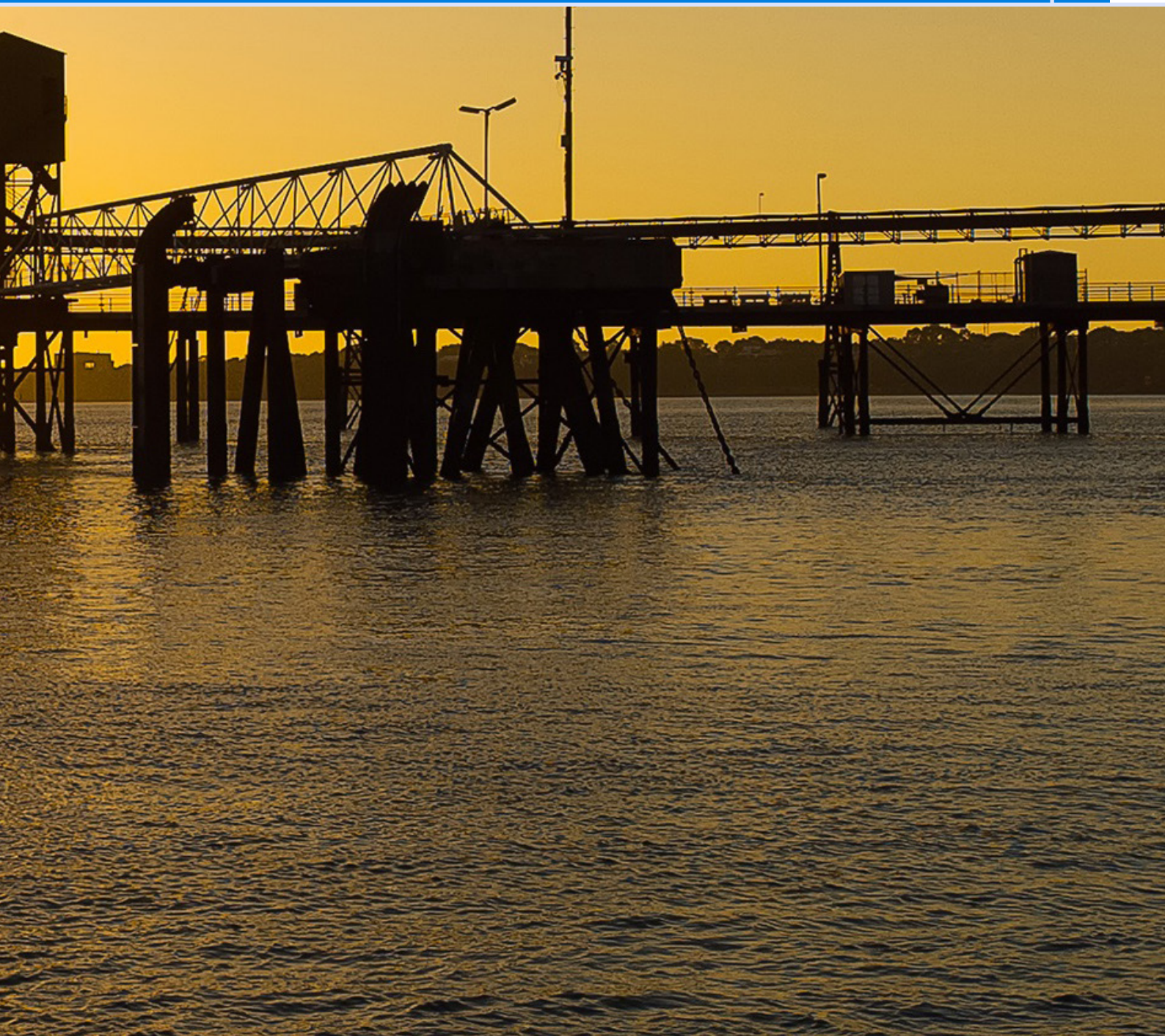








# 2 | PORT



## Background

The ports access and pricing regime is established and defined by Part 11 of the *Ports Management Act* and Part 3 of the *Ports Management Regulations*. The regime appoints the Utilities Commission as the regulator of port access and pricing for prescribed services provided by a private port operator at a designated port.

Darwin Port Operations Pty Ltd (DPO) was declared the operator of the Port of Darwin under the *Ports Management Act* on and from 1 July 2015. On 15 November 2015, ownership of DPO was acquired by Landbridge Port Pty Ltd as part of the 99-year lease of the Port of Darwin. The change of status of DPO to a private port operator activated the regime, including the commission's role as the regulator for ports access and pricing. At present, DPO is the only private port operator and the Port of Darwin is the only designated port under the regime.

The objective of the regime is 'to promote the economically efficient operation of, use of and investment in major port facilities in the Territory by which services are provided, so as to promote effective competition in upstream and downstream markets'. The commission's role in port regulation was established with the intention of being a light-handed regulatory regime.

Note, unlike the electricity, water and sewerage industries, private port operators are not required to be licensed.

The port services regulated by the commission, as prescribed by the *Ports Management Regulations*, are:

- providing or allowing for access for vessels to the designated port
- providing facilities for loading or unloading vessels at the designated port
- providing berths for vessels at the designated port
- providing or facilitating the provision of pilotage services in a pilotage area within the designated port
- allowing entry of persons and vehicles to any land on which port facilities of the designated port are located.

## Review of the regime

The commission is required to review the port access and pricing regime, in accordance with section 123 of the *Ports Management Act*, three years from the appointment of a private operator, and in each successive five-year period thereafter. The first review is due to be completed by November 2018.

The purpose of the review is to determine whether:

- there is a need for ongoing regulatory oversight of access to and pricing of prescribed services provided by the private port operators
- there is a need to change the form of regulatory oversight of access and if so how
- there is a need to change the form of regulatory oversight of prices and if so how
- amendments are to be made to part 11 of the *Ports Management Act* or the *Ports Management Regulations* and, if so, the nature of those amendments.

The commission commenced the 2018 review of the Ports Access and pricing regime in February 2018, with the release of the Issues Paper. On 1 August 2018, the commission released the Draft Report. Throughout the review, the commission has consulted with DPO, port users and stakeholders, calling for submissions on both the Issues Paper and the Draft Report.

The submissions received will inform the Final Report, which will be delivered to the Minister for Infrastructure, Planning and Logistics by 15 November 2018. The minister is required to table the Final Report in the Legislative Assembly within seven sitting days of receipt.

## Port access regulation

The regime requires the private port operator to submit a draft Access Policy to the commission for approval. DPO submitted a draft Access Policy in 2016, which was approved by the commission on 30 June 2017. DPO is required by the *Ports Management Act* to comply with its Access Policy. DPO is obligated to report to the commission each year about any instances of material non-compliance with its Access Policy. DPO reported to the commission in September 2017 advising that it was unaware of any breaches for 2016-17. Further, no breaches were reported for 2017-18.

In May 2018, following public consultation, the commission released Reporting Guidelines as required by legislation. The Guidelines set out the requirements of annual reports to the commission by the private port operator regarding material instances of non-compliance with its Access Policy.

## Port price regulation

The regime also establishes a framework for the commission to make a determination about the charges fixed by a port operator regarding prescribed services. The Regulations provide that the form of price regulation must be price monitoring with regard to prescribed services. This must be reflected in the price determination.

If the private port operator intends on changing or removing an existing charge, or introducing a new charge for prescribed services it must notify the commission at least 20 days prior to the proposed change. The port operator is also required to publish the changes to the standard charges for prescribed services on its website.

In July 2017, DPO advised the commission of intended increases in charges. The new charges came into effect on 1 August 2017. All charges for prescribed services (except one) increased by 1.1 per cent. The exception, the charge for bulk liquid fuels (inbound), increased by 3.6 per cent. The port operator has explained the reason for the higher increase for this service was to receive an acceptable rate of return for the bulk liquids fuel berth infrastructure upgrades.

A new standard charge for a prescribed service was introduced in August 2017 – the Bladin Channel port dues levy, which will apply to vessels larger than 20 000 gross tonnage (GT) accessing the Bladin Channel. The port operator has informed the commission that the reason for the new charge is to provide a recovery mechanism for investment in pilotage, harbour control and management facilities to support the safe management of large vessel traffic. Large vessel traffic is expected to increase once INPEX starts operation in 2018.



In June 2018, DPO advised the commission of the intended changes to its charges for prescribed services. On 1 August 2018, DPO increased its tariffs by 1.9 per cent, except for port induction fees, which did not change. The increase is consistent with the national consumer price index (CPI) rise for the 12 months to the March quarter 2018.

The Price Determination also requires DPO to submit an annual report about prescribed services to the commission that covers the types of charges, revenue, volumes, changes or new charges, and negotiated agreements. On 30 September 2017 DPO provided this report to the commission.

## Annual report to the minister

The commission is required to report to the minister each year about any instances of material non-compliance by the private port operator with its Access Policy or the commission's Price Determination. The commission reported to the minister in October 2017, advising the commission was not aware of any material breaches by DPO in 2016-17.







# 3 | ELECTRICITY



## Background

The *Electricity Reform Act* confers administrative functions to the commission with respect to licensing, dispute resolution and general compliance monitoring of the Territory's electricity supply industry.

The electricity industry in the Territory is regulated by the *Electricity Reform Act*, *Electricity Networks (Third Party Access) Act*, *Utilities Commission Act* and associated legislation, and the National Electricity Law (NEL) and National Electricity Rules (NER) as applied by the Northern Territory. This statutory framework was introduced in 2000, with parts of the NER, as modified, being progressively applied from 1 July 2016.

The statutory framework is primarily focused on regulating the activities of electricity industry participants and customers in the Darwin-Katherine, Alice Springs and Tennant Creek power systems (regulated power systems). Key elements of the statutory framework are:

- all electricity customers are contestable
- the commission regulates monopoly electricity services, licensed market participants and enforces regulatory standards for market conduct and service performance
- the Australian Energy Regulator (AER) administers the third-party access and price determinations.

## Power System Review

The 2016-17 Power System Review (PSR) was prepared by the commission in accordance with section 45 of the *Electricity Reform Act*. The review covered the Territory's regulated power systems.

The review's main role is to inform the Treasurer, government, licence holders and stakeholders on the current (2016-17) performance of the Territory's power systems and trends in such performance, and future requirements and risks to the electricity industry in the Territory.

The 2016-17 PSR sought to include more information on the future technical and operational impacts from increased renewable energy, noting the Territory Government has a policy to achieve 50 per cent renewable energy by 2030. The 2016-17 PSR was published on the commission's website in July 2018. There are currently no immediate major issues of concern across the Darwin-Katherine and Tennant Creek regulated systems. However, there are some areas of concern in Alice Springs.

### Generation trips

The number of single generation trips in Alice Springs has significantly increased in 2016-17, leading to an overall deterioration of generation performance as evidenced, for example, by an increase in the level of customer minutes without supply. It is expected that performance will improve with the introduction of new generation assets at the Owen Springs power station.

Across the three systems, the number of major incidents has been relatively stable at around 30 per year, but total customer minutes without supply have decreased by about 57 per cent since 2014-15, indicating improvements in the ability to recover from an incident.



## Demand

Modelling was undertaken, forecasting electricity demand across the 10-year period to 2026-27. The modelling included a 'base' scenario (current growth pattern) and a RE50% renewable scenario. That is, achievement by 2030 of the Territory Government's 50 per cent target for renewable energy contribution to electricity supply. This scenario allows the commission to evaluate the possible system impacts associated with this policy.

Annual electricity consumption (across system) is forecast to decrease a little (-1.5 per cent per annum) over the next few years under the base scenario as more behind the meter solar photovoltaic systems are installed. From around 2019-20 to 2026-27 consumption growth will be low (0.3 per cent per annum). Under the RE50% scenario, annual system consumption would see a more significant decrease (-2.9 per cent per annum) over the next few years with a steady decline (-0.2 per cent per annum) continuing from around 2019-20 to 2026-27.

The increasing level of solar penetration is forecast to have an impact on maximum system demand. Overall maximum system demand is forecast to decline from 2017-18 to 2019-20 (-2.0 per cent per annum) in Darwin-Katherine and Alice Springs. Beyond 2019-20 no growth in maximum demand is forecast in Darwin-Katherine with a negative growth (-1.2 per cent per annum) in Alice Springs.

However, minimum system demand is forecast to significantly decrease, especially under the RE50% scenario (-10.6 per cent and -13.4 per cent per annum in Darwin-Katherine and Alice Springs respectively). This introduces significant challenges in managing system security. Of the three systems, minimum system demand issues are forecast to arise first in Alice Springs.

## Renewable energy

Moving into the future there will be technical issues around how to incorporate greater levels of renewable energy into the regulated systems. While there are potential benefits that renewable energy can bring to capacity, diversity and choice for customers, there are also potential increased costs. The main challenge for the government will be to deal with technical issues at least cost to the system and ultimately consumers.

While there is the likelihood of increased costs, especially in relation to ancillary services, new solar generation in the Territory will potentially give rise to increased generation capacity, investment and diversity of supply. Existing higher-cost generation capacity may be retired earlier than planned as it is displaced by new low-cost generation. This will have implications for returns to the owner of the assets and impact the reliability assessment.

If left to grow unmanaged, solar generation will detrimentally affect the secure operation of the power system. This is a particularly significant issue when minimum system demand reaches low levels, in particular when system demand reaches the spinning reserve requirements. Where system demand drops below the minimum level of spinning reserves then System Control may have to constrain the solar generation. This constraint is required to ensure there is sufficient levels of dispatchable synchronous generation online, and investment may be required in equipment such as batteries and synchronous condensers to maintain a secure system.

It is noted the three regulated systems have different levels of solar photovoltaic penetration and weather patterns. It is likely the regulated systems may require

different solutions at different times. This may include different pricing regimes in the individual systems, to provide appropriate incentives for customers.

## Electricity licensing

To operate in the electricity supply industry, entities must be licensed. The commission has established licences, subcategories of licences and combined licences to suit particular circumstances.

The commission considers applications from entities seeking to operate in the Territory's electricity supply industry, in accordance with the provisions of the *Electricity Reform Act*.

### Licence applications

Table 5 sets out that there were five licence applications in 2017-18, four generation and one retail licence.

The four generation licence applications, from the Airport Development Group, Katherine Solar, Batchelor Solar Farm and Infigen Energy, were for large-scale solar photovoltaic systems. In considering the licence applications, the commission provided stakeholders a six-week period to provide submissions on the applications. In all cases System Control, among others, provided a submission. Its submission set out that System Control is working on updating the System Control Technical Code and the Network Technical Code, to take into account the impact of having large-scale solar generation on the current generation performance standards. The current generation performance standards were designed for synchronised generation rather than non-synchronised generation, such as solar, and require modernisation.

The Airport Development Group, Katherine Solar and Batchelor Solar Farm applications were approved by the commission, in some cases, subject to final network access agreements being agreed between Power and Water Corporation networks and the licence applicant. While these licences have been approved, none have been executed.

The Infigen Energy licence application remains under consideration.

Next Business Energy applied and was issued a retail licence on 29 June 2018.

Table 5: Licence applications in 2017-18

Licence type	Applicant	Application date	Status
<b>Current licence applications</b>			
Generation	Infigen Energy NT Solar Pty Ltd	5 March 2018	Submissions closed 27 April 2018
<b>Licences approved but not yet issued</b>			
Generation	Airport Development Group Pty Ltd	28 November 2017	Licence application approved, but not yet issued.
Generation	Katherine Solar Pty Ltd	11 October 2017	Licence application approved, but not yet issued.
Generation	Batchelor Solar Farm Pty Ltd	5 May 2018	Licence application approved, but not yet issued.
<b>Current licences</b>			
Retail	Next Business Energy Pty Ltd	1 November 2017	Issued on 29 June 2018.

## Types of licences

Table 6 sets out the various licences available for entities who participate in the electricity supply industry.

Table 6: Types of licences currently issued

Licence type	Description
Standard generation licence	It allows entities to generate electricity for sale to electricity entities holding generation or retail licences (or as otherwise stated in the licence).
Retail licence	<p>It allows retail entities to sell electricity to customers who own or occupy premises anywhere in the Territory.</p> <p>It also allows entities to trade in electricity, where 'trade' means the buying and selling of electricity other than to final consumers.</p>
Network licence	<p>It allows entities to operate the electricity network in the geographical area stated in the licence.</p> <p>If stated in the licence, it allows entities to connect the electricity network to another electricity network.</p>
Special generation licence – independent power producer (IPP)	<p>It allows entities to generate electricity for sale to electricity entities holding a standard generation licence (or as otherwise stated in the licence).</p> <p>This licence is a 'cut down' version of a generation licence for those entities that do not wish to participate fully in the electricity supply market and instead generate electricity under contract for another generator.</p>
Special licence – isolated system operations (ISO)	<p>It allows entities to generate electricity at specified electricity generating plants. It also allows entities to sell electricity to other generators or a retailer.</p> <p>Entities can also sell electricity to customers, but only in respect of electrical installations or premises situated within specified locations.</p> <p>Finally, it allows entities to own and operate an electricity network within specified geographic areas and connect that network to another specified electricity network.</p> <p>This licence is a combination of generation, network and retail licence for entities operating in remote locations. For example, where a mining company supplies electricity to a nearby town that predominantly houses workers associated with the mine.</p>
System control licence	<p>This licence allows entities to monitor, plan and control the operation of the power system with a view to ensuring the system operates safely and securely. It gives entities the power to issue directions to other licensed electricity entities.</p> <p>In May 2015, the Electricity Reform (Administration) Regulations were amended to prescribe operating a wholesale market as an operation for which a licence is required. The Regulations also define that an entity licensed for system control is also licensed to operate a wholesale market in relation to that power system.</p> <p>A system control licence is only issued where the power system is of sufficient size and complexity to warrant monitoring and control 'at arm's length'. In isolated communities with a single generator of electricity, management of system loads and frequency control is undertaken by the generator. Coordination of generation with third-party inter-connected networks would be a matter for normal commercial contractual arrangements.</p> <p>In relation to the interim wholesale electricity market (I-NTEM), System Control is the market operator responsible for wholesale trading arrangements between generators and retailers, registration of market participants, market settlements, and daily publication of market prices and other wholesale trading data.</p>

## Exemptions

The Electricity Reform (Administration) Regulations provide an exemption from the requirement to be licensed for some activities. Under the regulation, licences are not currently required for:

- generation not connected to a network owned or operated by a licensed entity
- selling a small amount of electricity where supply is not available from a licensed entity
- on-supply of electricity, as long as the on-supplier complies with certain conditions.

The commission may, under section 87 of the *Electricity Reform Act* and with the approval of the minister, grant an exemption from the requirement to be licensed.

As at 30 June 2017, the following exemptions were current:

- an exemption from the requirement to hold a licence with respect to its electricity operations in the township of Nhulunbuy and at the mine, issued to Pacific Aluminium Pty Ltd
- an exemption from the need to hold a generation and retail licence issued to GPT RE Limited and Innogen Australia Pty Ltd
- a class exemption – the Small Scale Renewable Operations exemption – issued for the generation of electricity by small-scale solar photovoltaic systems and the sale of any residual electricity from those systems to the distribution network.

There were no requests for licence exemptions in 2017-18. As part of its consideration process of any application, and consistent with good regulatory practice, the commission seeks comments on licence (or exemption) applications from market participants and relevant stakeholders.

The commission continued to provide advice to potential market participants on licencing requirements and processes in accordance with the *Electricity Reform Act* and Electricity Reform (Administration) Regulations.

## Current licences

As at 30 June 2018, there were three standard generators licensed in the Territory.

The standard generation licensees were:

- Power and Water Corporation, which has power stations at Berrimah (decommissioned), in Aboriginal communities under the Indigenous Essential Services program and various minor commercial power stations (Elliott, Daly Waters, Ti Tree, Timber Creek and Borroloola)
- Territory Generation, which has various power stations including Channel Island, Weddell, Katherine, Tennant Creek, Ron Goodin, Owen Springs, Yulara and Kings Canyon power stations
- NGD (NT) Pty Ltd (EDL), which has a power station at Pine Creek.

As at 30 June 2018, there were seven electricity retailers licensed in the Territory. The most recent generation licence issued by the commission was Next Business Energy's retail licence, which was issued on 29 June 2018. The retailers were:

- Power and Water Corporation, which has retail operations in Aboriginal communities under the IES program, Jabiru, Nhulunbuy, Alyangula and McArthur River Mine
- QEnergy Limited (QEnergy), which has retail operations in the regulated systems
- ERM Power Retail Pty Ltd (ERM), which has retail operations in the regulated systems
- Power Retail Corporation (trading as Jacana Energy), which has retail operations in Darwin, Katherine, Tennant Creek, Alice Springs, Daly Waters, Borroloola, Timber Creek, Elliott, Newcastle Waters, Yulara, Ti Tree and Kings Canyon
- Rimfire Energy (Rimfire), which has retail operations in the regulated systems
- EDL, which has retail operations in the regulated systems
- Next Business Energy Pty Ltd, which has retail operations in the regulated systems.

Power and Water Corporation holds a network licence and also holds a system control licence.

Other privately owned generators supply electricity under contract for a standard generation licensee rather than selling directly to an electricity retailer. As of 30 June 2018, special generation licences (IPP) were held by the following generators:

- EDL for the McArthur River power station at McArthur River
- Energy Resources of Australia Ltd for Ranger power station at Jabiru
- LMS Energy Pty Ltd for a power station using landfill gas at Shoal Bay in Darwin
- Uterne Power Plant Pty Ltd for a photovoltaic system at Alice Springs
- TKLN Solar Pty Ltd for various photovoltaic systems at Ti Tree, Kalkarindji and Lake Nash – Alpururulam.

An isolated system licence is held by Groote Eylandt Mining Company Pty Ltd (GEMCO).

## Amendments to licences

The IPP licences allow generators to operate with limited regulatory oversight, but restricts the licence holder to only selling their electricity to another, fully licensed generator. A requirement of the licence is to have an agreement with a generator.

The previous licence would be automatically terminated if this agreement ceased. This clause was changed to allow IPP Licence holders to cease agreements with one generator and start operations with another licenced generator. However, the IPP still must have an agreement in place with a generator if it wishes to sell electricity.

## Codes and guidelines

The commission may also make codes and rules relating to the conduct or operations of the electricity supply industry or licensed entities, where authorised by legislation. Section 24 (1) of the *Utilities Commission Act* provides the powers for the commission to make codes or rules relating to the conduct or operations of a regulated industry or licensed entities. Additionally, the Utilities Commission Regulation 2B sets out the authorisation to make codes about standards of service and guaranteed service levels.

## Electricity Industry Performance Code

In 2012 the commission issued two codes, the Electricity Standards of Service Code and the Guaranteed Service Level Code. Since early 2017 the commission has been undertaking a review of these codes.

In 2017-18 the commission approved the 2017 Electricity Industry Performance Code (Standards of Service and Guaranteed Service Levels) (EIP Code). The EIP Code replaces the Electricity Standards of Service and Guaranteed Service Level codes.

The EIP Code and associated Feeder Guideline commenced on 25 October 2017.

The new EIP Code follows extensive consultation with industry participants and stakeholders. In March 2017 the commission published a Request for Submission on Guaranteed Service Level Code and Electricity Standards of Service Code, and then in July 2017 the commission published a Proposed Code: Request of Submission on the Electricity Standards of Service Code and Guaranteed Service Level (GSL) Code.

The EIP Code applies to electricity entities operating in the regulated network (excluding IPP) and sets out:

- guaranteed service levels performance indicators and payment levels
- generation service performance indicators for reporting purposes
- network service performance indicators (network services) for reporting and target setting purposes
- retail service performance indicators for reporting purposes. Retail service performance indicators will measure retail performance for customers taking (or likely to take less than) 160-megawatt hours of electricity during the reporting period. Hardship indicators will measure the treatment of residential customers.

The commission has published a Statement of Reasons setting out the commission's decision. The major changes from the Electricity Standards of Service and Guaranteed Service Level codes to the EIP Code are:

- combining the two codes
- simplifying language and ensuring consistency with other commission codes
- changing the method for the setting of targets for network entities (that is, for Power and Water Corporation). The process and requirements are now more flexible and focused on customer requirements but more demanding in the level of detail required to be presented to the commission
- bringing forward the requirement for generators and retailers to annually report to the commission from 1 November to 31 August
- inserting a requirement for network entities to report on GSL performance and payments
- increasing flexibility for network and retailer entities in the way they credit customers when making a GSL payment
- inserting a requirement to undertake three yearly audits on performance indicators
- updating network entities' exemptions to match the AER definitions
- updating the feeder classification to match national reporting requirements



- removing the transmission reporting requirements. Now all network assets are classified as distribution assets for reporting purposes, which is consistent with the AER's treatment of assets for Power and Water Corporation's pricing determination
- with regards to GSL payments, removing the distinction between urban and rural customers, resulting in improved (minimum) performance standards for rural customers
- for the next determination period (2019-20 onwards) increasing current GSL payments by the CPI. Plus, the EIP code ensures CPI increases for each year thereafter
- increasing retail reporting requirements and directly linking to national reporting requirements.

## Electricity Retail Supply Code

In April 2016, the Power and Water Corporation made an application for amendments to the Retail Supply Code in light of substantial reform to the Territory electricity sector, including the introduction of a wholesale market, structural separation of the corporation and the entrance of new retailers. Power and Water Corporation provided a public version of its application for amendments on 12 May 2016.

In considering an amendment to the code, the commission notes that several issues are contingent on other developments in the wholesale market and the government's electricity reform program. The commission also anticipates substantive amendments to the code in light of changes to the Territory's electricity sector since the code was last substantially reviewed in 2012.

In July 2016, the commission released a Consultation Paper and received several submissions from interested stakeholders. In May 2017, the commission released its Position Paper on proposed amendments to the Electricity Retail Supply Code. In April 2018, the commission released an amended draft code and statement of reasons for comment, with submissions due by June 2018.

The draft code proposes significant amendments to the following sections of the code:

- section 3: Credit support requirements
- section 5: Metrology
- section 6: Market data
- section 8: Customer transfers
- section 10: Life support equipment.

## Price regulation

The commission regulates certain prices in the monopoly sectors of the Territory's electricity supply industry in accordance with relevant industry legislation.

### System Control charges and pricing of ancillary services

The commission approves charges imposed by the system controller and also has authority to determine prices for ancillary services to manage the quality of electricity supplied by the electricity supply industry.

The System Control charges were approved in 2000, while the ancillary services charges embedded in the System Control Technical Code were last approved by the commission with effect from 1 July 2004. Both these charges continue until superseded.

In 2017-18 the commission did not approve any updated charges.

### System imbalance charges

The commission is responsible for overseeing prices paid (or received) by third-party generators when purchasing (or selling) any mismatches between energy generated by such generators and the load attributable to end-use customers supplied by these generators. The system controller, in consultation with licensed generators, is required to develop arrangements for settlement of any out-of-balance payments between generators, with the arrangements subject to the approval of the commission.

In 2017-18 the commission did not approve any updated charges.

## Compliance

### Pricing Order specified procedures: a review of compliance with the government's pricing order

PricewaterhouseCoopers Australia was engaged to undertake specified procedures regarding Power and Water Corporation and Jacana's compliance with the Electricity Pricing Order (EPO) and the Water Supply and Sewerage Services Pricing Order.

In March 2018 the commission published PricewaterhouseCoopers Australia's final report.

There were no major issues of concern, and Power and Water Corporation and Jacana both agreed to improvements where issues were identified. Issues related to:

- some related service charges not being reviewed annually by Power and Water Corporation
- calculation of estimated meter reads was not formally documented or periodically reviewed and validated
- there was a lack of periodic review of system thresholds for metering and billing validation tests.

## Technical audit of Power and Water Corporation and Territory Generation

In 2014, the commission audited Power and Water Corporation in relation to a system black in the Darwin-Katherine power system. During 2016-17 the commission conducted a follow-up audit on Power and Water Corporation (System Control and Networks) and Territory Generation, with a particular focus on improvements made since 2014.

In October 2017 the commission published Power and Water Corporation Technical Audit 2017: Follow up from the 2014 Audit and Power and Water Corporation Technical Audit 2017: Spinning Reserve.

The audit of Power and Water Corporation and Territory Generation found there were significant positive technical improvements in each entity. For example, all areas previously found to be non-compliant have improved to be either partially or fully compliant.

The Spinning Reserve Review found that System Control is generally compliant with the way it calculates and applies the spinning reserve calculation methodology. However, the System Control Technical Code and Secure System Guidelines are currently broad and give System Control wide powers to direct market participants.

Where guidance is not provided through the existing System Control Technical Code or Secure System Guidelines, System Control is adequately managing issues in ancillary services (such as frequency control) required to maintain the stability of the system in the interim through occasional 'short-term advice' directions it issues to market participants.

## Incident reporting

Under the System Control Technical Code prepared by Power and Water Corporation and approved by the commission, the system controller is required to report power system incidents that occur within the parameters of the System Control Technical Code to the commission. The commission monitors incidents reported for compliance and reports on trends in its annual PSR to encourage planning for a safe, secure and reliable power system.

## Safety Management and Mitigation Plan

A Safety Management and Mitigation Plan (SMMP) is a licence condition for all generation and network licences issued by the commission. The commission considers the SMMP with consultation from the Electricity Safety Regulator and provides comments to licence holders accordingly.

The commission considers the SMMP as a good representation of a licence holder's policies, procedures, systems and strategies to ensure the safety of employees, contractors and the public around electricity infrastructure. The commission encourages licence holders to continually update and improve their plans to ensure the plan remains consistent with good electricity industry practice.

## Complaint investigation

Under section 48 of the *Electricity Reform Act*, the commission must investigate complaints against any electricity entity made on the grounds the entity is engaging in conduct contrary to the objects of the *Electricity Reform Act* or the *Utilities Commission Act*. The commission is exempted from investigating if it believes the complainant is not, or unlikely to be, adversely affected by the alleged complaint, the complainant has not shown a

genuine attempt to resolve the complaint with the electricity entity, or the complaint is frivolous or vexatious.

During 2016-17, the commission did not receive any formal complaints from parties in relation to licensed electricity entities.

## Advice to the minister

The commission provides independent advice to the minister on matters such as utility pricing, access to infrastructure, service quality and security of supply.

Advice to the minister can be provided:

- when the minister refers a matter to the commission for inquiry under Part 7 of the *Utilities Commission Act*. Inquiries conducted under Part 7 of the *Utilities Commission Act* are public inquiries and the commission's final report must be tabled in the Legislative Assembly
- or when the minister requests advice from the commission in accordance with section 6(1)(g) of the *Utilities Commission Act*. The minister may include a requirement in the terms of reference that the reports setting out the commission's findings and recommendations remain confidential to government.

The commission is also empowered to provide advice to the minister at its own initiative on the operation of the *Electricity Reform Act*.

During 2016-17, the commission did not receive any requests from the minister for formal advice.







# 4 | WATER AND SEWERAGE





## Background

The *Water Supply and Sewerage Services Act* sets out the responsibilities of the commission for the Territory's water and sewerage industries. The Act sets out the objectives regarding regulation of the water supply and sewerage services industry. In particular, regulation aims to promote the safe and efficient provision of water supply and sewerage services, establish and enforce standards of service in water supply and sewerage services, facilitate the provision of financially viable water supply and sewerage services, and protect the interests of customers.

The *Water Supply and Sewerage Services Act* requires and allows the commission to undertake regulatory functions in the Territory's water supply and sewerage services industries, particularly within a sole provider model. The commission's activities in the water and sewerage industries are mainly to administer licences, although the minister may assign price and service standard monitoring functions to the commission.

To supply water and sewerage services in the Territory a licence from the commission is required. Currently, Power and Water Corporation is the only licence holder for the provision of water supply and sewerage services in declared licensed areas of the Territory.

The commission is responsible for licensing and some compliance monitoring. The commission has to also approve Water Metering and Trade Waste codes. Additionally, if requested, the commission is to provide advice to the minister on any matter referred by the minister.

## Licensing

To operate water supply and sewerage services in the Territory, operators must have a licence issued by the commission. The licence is based on specific geographical areas declared by the minister.

For each water supply or sewerage service within a licence area, the commission may only grant a single licence for each of the relevant services provided. The commission is not empowered to issue licences for service provision that takes place outside a water or sewerage licence area.

Section 14(1) of the *Water Supply and Sewerage Services Act* provides that a licence is required to carry on water supply services, or services in a water supply licence area or sewerage services licence area. Section 26 allows the commission, with ministerial approval, to exempt a person from the requirement to hold a licence on terms and conditions the commission considers appropriate.

A Licensing Manual, for the purposes of guidance only, has been prepared by the commission to assist interested parties in considering whether they need to hold a water or sewerage licence.

As of 30 June 2018, Power and Water Corporation held two licences under part 2 of the *Water Supply and Sewerage Services Act*, water supply and sewerage services.

A general exemption from the need to hold a licence is also in effect for entities on-supplying water services within prescribed licence areas. This is conditional on the entity being granted the approval of the commission to perform supply operations in the water supply licence area.

During 2017-18 there were no applications for water or sewerage licences or exemptions and no variations applied for or made to the terms and conditions of existing licences.

## Price regulation and service performance

The commission has no role in setting prices or in developing service standards in the water and sewerage industry.

Water and sewerage prices paid by customers are regulated by the Territory Government through a Water Supply and Sewerage Services Pricing Order. Note the commission is required to enforce compliance with the Water Supply and Sewerage Services Pricing Order as if the order is a determination of the commission under the *Utilities Commission Act*.

PricewaterhouseCoopers Australia was engaged to undertake specified procedures regarding Power and Water Corporation and Jacana's compliance with the Electricity Pricing Order (EPO) and the Water Supply and Sewerage Services Pricing Order.

In March 2018 the commission published PricewaterhouseCoopers Australia's final report. There were no major issues of concern, and Power and Water Corporation and Jacana both agreed to improvements where issues were identified. Issues related to:

- some related service charges not being reviewed annually by Power and Water Corporation
- calculation of estimated meter reads not formally documented or periodically reviewed and validated
- a lack of periodic review of system thresholds for metering and billing validation tests.

## Water supply and sewerage services asset management plans

Power and Water Corporation is required to maintain and implement an asset management plan, and each year submit an updated copy of the plan to the commission. The purpose of this plan is to encourage an effective and innovative strategy for repairing and replacing water supply and sewerage services infrastructure. The commission considers the plans useful tools for monitoring and planning for the efficiency of future capital investment.

Power and Water Corporation submitted asset management plans to the commission in October 2017.

## Advice to the minister

During 2017-18, the commission did not receive any requests from the minister for advice in relation to water supply and sewerage services.





# 5 | BULLETIN – CYCLONE MARCUS



## Background

In 2018, there was an unprecedented event that had a significant impact on the industries that the commission deals with as part of its responsibilities. The details of Tropical Cyclone Marcus (TC Marcus) and the impact it had on the electricity, water and sewerage industries and customers in the Territory are detailed in this 'Bulletin' chapter.

The commission has sought comments and reports from licence holders impacted from TC Marcus. The following chapter outlines the information provided to the commission.

## General impact of Cyclone Marcus

TC Marcus was the most severe storm to affect Darwin in 30 years and passed over the Darwin metropolitan area as a Category 2 cyclone on the morning of 17 March 2018. Affected areas included Darwin, Palmerston and rural areas as far south as Batchelor, across to Cox Peninsula and through to Dundee Beach. The cyclone not only caused extensive damage to homes and businesses but also significantly damaged Power and Water Corporation's electricity supply infrastructure. This impacted water supply and sewerage systems, which depend on electricity, resulting in widespread impacts felt across the Territory.

TC Marcus impacted Darwin and has now been officially named as the most damaging storm since Cyclone Tracy, which devastated the city in 1974. Heavy rainfall, damaging winds in excess of 130km per hour and fallen trees caused major damage to Power and Water Corporation's power network infrastructure, leading to just over 28 500 customers (33 per cent of Power and Water Corporation's customer base) without power and bringing down more than 500 line spans.

### Electricity

Approximately 28 500 customers lost power, of which 90 per cent were restored within three days. Electricity reconnection issues returned to business-as-usual levels in eight days. This appears to be comparable with restoration timeframes in other jurisdictions.

### Water

Water and sewerage networks were primarily affected by power outages rather than direct damage. Two short-lived boil-water alerts were issued as precautionary measures while the integrity of the drinking water systems was confirmed. Interruptions to water supply returned to business-as-usual levels in about five days.

### Sewerage

There were minor sewage overflows, primarily because of power outages to pump stations and other facilities. While these did not affect customers, they caused some pollution that was reported to the environmental regulator.



## The Industry response

In response to the service interruptions caused by TC Marcus, Power and Water Corporation deployed more than 80 technical specialists, contractors and support teams, working 12-hour shifts for a week. The response was completed with no loss of life or significant lost-time injury.

In an independent review, it was identified that Power and Water Corporation's response to TC Marcus resulted in a number of opportunities for improvement. These opportunities will reduce staff stress and workload, increase efficiency, and minimise uncertainty about roles and responsibilities and are listed below:

- Review and harmonise all plans, training, and response resources to implement a consistent incident management structure across Power and Water Corporation.
- Adopt a contemporary outage management system that is consistent and scalable from day-to-day interruptions to emergency outages.
- Ensure lists of critical customers, critical spares, network assets and contracted services (including emergency contact arrangements) are current and available across relevant business units to facilitate an emergency response.
- Clarify the roles, responsibilities and linkages for internal and external stakeholder communication, particularly in the context of a whole of government emergency response.

Responding to a natural disaster is always a complex challenge, particularly for essential services. While Power and Water Corporation's overall response was effective and achieved service restoration at a rate comparable to similar emergencies in other jurisdictions, confusion about reporting lines and responsibilities created an unnecessary distraction and disconnect between operational and strategic structures.

## Other affected services

TC Marcus caused the closure of Jacana Energy's customer service centres for three weeks, impacting customers' ability to access the usual services provided by shopfronts. Additionally, customer meter readings conducted by Power and Water Corporation were impacted for approximately three weeks post TC Marcus, resulting in a substantial billing backlog. Meter access issues as a result of the event resulted in a significant spike in estimated meter reads, contributing to an above-average volume of calls to Jacana's call centre, which also impacted customer service.

Following the event, Jacana suspended customer disconnections for non-payments for the remainder of March so as to provide additional time for customers to manage the impacts of TC Marcus. Jacana also assisted Territory Families with verifying applications for financial assistance payments.

## Other impacted licence holders

Other licence holders, including Energy Developments (EDL), did not experience any physical damage from TC Marcus but were asked by, and complied with, System Control's request to reduce the station load at Pine Creek between 17 and 21 March to help stabilise the network. EDL was also requested to take its steam turbine generator offline for the majority of the five days, resulting in the electricity load requirement being supported by two gas turbine generator sets. This request resulted in EDL needing to obtain additional gas to keep the gas turbines fully available.

Rimfire Energy experienced a small disruption to one of its solar photovoltaic system installs, which lasted for a few days.

Territory Generation also turned generators offline as residents started to lose power.

## Guaranteed service level

The Electricity Industry Performance (EIP) Code incorporates guaranteed service levels (GSL). GSLs provide a set of minimum customer standards for the delivery of electricity to your home or business. GSLs only apply to network providers, such as Power and Water Corporation.

If Power and Water Corporation fails to meet its minimum standard, customers are eligible for payments. For example, if a customer receives an outage of more than 12 hours but less than 20 hours, the customer will be paid \$80 per event. However, there are some specific exclusions for GSL payments and one of these exclusions is outages caused by a natural disaster.

Power and Water Corporation applied to the commission for TC Marcus to be considered a natural event and therefore was excluded for reporting and GSL purposes.

## EIP Code requirements

Clause 7.2 of the EIP Code provides a list of exclusions from network reporting and GSL payments. Specifically, clause 7.2.3(f) allows natural events to be excluded from normal network reporting and GSL payment schemes. Clause 5.4.1 sets out that natural events are to be identified as a statistical outlier using the US Institute of Electrical and Electronic Engineers (IEEE) 2.5 beta method.

Clause 5.4.1 also requires the network provider to notify the commission of the potential for a natural event within 14 business days. Power and Water Corporation wrote to the commission on 29 March 2018, which is within this timeframe.

Clause 5.4.2 requires the network provider to report to the commission within 30 business days. Power and Water Corporation provided a report to the commission on 30 May 2018, which taking into account gazetted public holidays, was within the timeframe.

## Qualification

The beta method uses a statistical technique involving natural logarithms where beta is the standard deviation of the logarithms. This method allows abnormal performance to be measured, which is designed to identify (and exclude) events outside the normal risks that networks are designed for, such as cyclones.

These events are referred to as major event days (MED). Specifically, a MED is a day that the daily System Average Interruption Duration Index (SAIDI) exceeds a threshold value (TMED). SAIDI is a standard industry reporting tool that provides a basis to estimate the duration of events across different numbers of customers. Power and Water Corporation's SAIDI outcomes are reported in the commission's annual power system reviews.

Power and Water Corporation has calculated TMED and SAIDI for the Darwin-Katherine System as set out in Table 7. The table demonstrates the threshold (that is, TMED, at 42) has been significantly exceeded by the actual SAIDA outcome (at 1 950) and therefore, as TC Marcus meets the beta method criteria, it could be classified as a natural event (that is, a statistical outlier).

Table 7: TC Marcus impact

System	Date	(TMED)	Actual outcome – SAIDI
Darwin-Katherine	17 March 2018	42	1 950

In comparison, the following Table 8 sets out the SAIDI performance for the regulated systems over the last five years. Clearly, the SAIDI outcome relating to TC Marcus is extremely different to normal SAIDI performance.

Table 8: SAIDI performance by region

Location	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Darwin	167	398	144	166	159	207
Katherine	326	346	314	296	89	274
Alice Springs	48	20	210	142	214	125
Tennant Creek	435	123	207	43	246	211

## Impact on guaranteed service levels and reliability performance

Power and Water Corporation has stated the scale of the event in terms of reliability and GSL far exceeds any event that has occurred in Power and Water Corporation's recent history. The SAIDI calculated for the Darwin-Katherine system is 1 950 minutes. This is 12.7 times higher than the 2016-17 annual-adjusted Darwin-Katherine SAIDI and 145 times higher than the highest daily adjusted SAIDI during 2016-17.

In addition, Power and Water Corporation has claimed its ability to carry out re-connections in a timely manner was not able to be met during the cyclone response period. Crews normally allocated to this planned task were allocated to emergency restoration activities associated with the cyclone. A large number of customers were ready to be re-connected within the first few days of the event. However, resources were either unavailable, or the network in the area was still affected by damage that prevented the customer supply to be restored. Also, switching operations that were conducted as part of fault finding and supply

restoration activities resulted in some customers experiencing forced outages of short duration for which no notification was provided.

Power and Water Corporation has stated that no planned maintenance work was conducted and no appointments were attended during the cyclone recovery period. New connections to customer premises were also deferred. This was due to resourcing constraints, which resulted in scheduled work being deferred in order to enable Power and Water Corporation personnel to conduct or support emergency work being carried out as part of the response to TC Marcus.

If the event was not excluded, the Power and Water Corporation has calculated GSL payments of over \$7 million would be required. Significantly more than normal annual payments.

The commission notes the government, through Territory Families, provided emergency payments during the crisis. For affected households, payments of \$250 or \$400 were made available.

The \$250 relief payment was not means tested and required the household to have no power beyond 9.00am Tuesday 20 March 2018 (noting the cyclone struck the morning of 17 March 2018).

The \$400 additional relief payment was not means tested. To qualify for the \$400 additional payment (on top of the original \$250) your power would have to been off beyond 9.00am Saturday 24 March 2018.

## Extent of Exclusions

Power and Water Corporation states that due to the scale of TC Marcus, all events in the Darwin-Katherine system should be excluded for the period of the cyclone response activities, from 17 to 29 March 2018.

Power and Water Corporation has stated that TC Marcus meets the following requirements:

- a natural event identified as a statistical outlier using the IEEE 2.5 beta method
- outside of the control of Power and Water Corporation
- the network outages and damage were of a significant scale that the response is greatly different to the management and response to underlying network reliability.

## Assessment by the Utilities Commission

The commission agrees that the impact of TC Marcus was clearly a natural event, outside the control of Power and Water Corporation and outside normal operational boundaries, and consistent with clause 7.2.3(f) of the EIP Code, it should be excluded from the GSL payment scheme and reporting requirements under the code.

The commission believes that Power and Water Corporation has met the reporting requirements under the EIP Code.

The commission excludes, the following GSL categories and reporting requirements for events initiating on 17 March 2018:

- duration of a single interruption (GSL)
- frequency of interruptions (GSL)
- cumulative duration of interruptions (GSL)
- system Average Interruption Duration Index (SAIDI) reporting
- SAIFI reporting
- poorly performing feeders reporting.

The commission also excludes, the following GSL categories and reporting requirements for events from 17 to 29 March 2018:

- time for establishing a connection (GSL)
- time for giving notice of planed interruptions (GSL)
- keeping appointments (GSL).







# 6 | APPENDICES



## Appendix A: Utilities Commission meetings and major decisions

Table A1: Commission meetings

Commission meeting	Location	Pat Walsh	Lyndon Rowe	Richard Owens
2 August 2017	Darwin	✓		
13 September 2017	Darwin	✓		
25 October 2017	Phone	✓		
13 December 2017	Darwin	✓		
28 February 2018	Darwin	✓		
28 March 2018	Phone	✓		
13 April 2018	Darwin	✓	✓	✓
11 May 2018	Darwin	✓	✓	✓
22 June 2018	Phone	✓	✓	✓

Table A2: Decisions

Date	Agenda item	Item	Decision	Industry	Outcome
13-Jul-17	OOS no. 10, 2017	Power System Review	<ul style="list-style-type: none"> <li>The 2015-16 Power System Review (Attachment A)</li> <li>An accompanying 2015-16 Power System Review fact sheet (Attachment B)</li> <li>Letter to the Treasurer (Attachment C)</li> <li>Letter to industry participants and other relevant stakeholders (Attachment C1) listed in Attachment C2, informing them of the publication of the Power System Review</li> <li>Publication of the 2015-16 Power System Review (Attachment A) and the fact sheet (Attachment B) on the Utilities Commission Website</li> </ul>	Electricity	Approved
20-Jul-17	OOS no. 11, 2017	Consult on the revised Electricity Standards of Service (ESS) and Guaranteed Service Level (GSL) codes (electricity industry performance code (EIP))	<ul style="list-style-type: none"> <li>Approve undertaking consultation on the revised ESS and GSL codes (submissions due 16 August 2017)</li> <li>Approve publication of the Statement of Reasons: Proposed Amendment to the ESS code and GSL Code (Attachment A) subject to minor editorial and formatting amendments</li> </ul>	Electricity	Approved
2-Aug-17	2.2	Port of Darwin – changes to tariffs	<ul style="list-style-type: none"> <li>Approve a brief statement regarding the changes and the new tariff to be published</li> <li>Approve that the new tariffs be consistent with the Price Determination, and that the minister should be informed of the changes</li> </ul>	Ports	Approved
	2.3	Port of Darwin – Benchmarking Report	<ul style="list-style-type: none"> <li>Approve commission staff to commence the procurement process to engage GHD Advisory to undertake the Port price benchmarking study and report for the commission</li> </ul>	Ports	Approved
	2.5	Trade Waste Code	<ul style="list-style-type: none"> <li>Approve the revised Trade Waste Code submitted by Power and Water Corporation on 7 July 2017</li> </ul>	Sewerage	Approved

Date	Agenda item	Item	Decision	Industry	Outcome
13-Sep-17	2.2	Approval of EIP (ESS and GSL) Code	<ul style="list-style-type: none"> <li>• Approve, subject to final editing, the attached EIP Code (ESS and GSL), EIP Code – Feeder Category Guidelines and Statement of Reasons</li> </ul>	Electricity	Approved
			<ul style="list-style-type: none"> <li>• Approve writing to the Treasurer advising of the updated and final EIP Code</li> </ul>	Electricity	Approved
			<ul style="list-style-type: none"> <li>• Approve publication of the Statement of Reasons, the code and feeder category guidelines on the commission's website, and publishing of a notice in the Gazette and Northern Territory News</li> </ul>	Electricity	Approved
	2.6	Commission draft Annual Report	<ul style="list-style-type: none"> <li>• Approve the 2016-17 Annual Report, subject to minor edits, finalisation of commissioners overview and review by Department of Treasury and Finance's Communications team</li> </ul>		Approved
			<ul style="list-style-type: none"> <li>• Approve the Annual Report being delivered to the minister on or before 30 September 2017</li> </ul>		Approved
			<ul style="list-style-type: none"> <li>• Approve the attached Annual Report transmittal letter to the Treasurer, and the Commissioner's Overview</li> </ul>		Approved
	2.9	Business Arising	<ul style="list-style-type: none"> <li>• Approve the alternative sign off arrangements proposed by Energy Developments for its annual compliance report and declaration</li> </ul>	Electricity	Approved
			<ul style="list-style-type: none"> <li>• Approve publication of the final 'revised' WSP report on spinning reserve, subject to finalisation of the letter to the Treasurer</li> </ul>	Electricity	Approved
25-Oct-17	2.1	Port of Darwin – Darwin Port Operations Pty Ltd (DPO) annual reporting	<ul style="list-style-type: none"> <li>• Note the receipt of the documents that constitute the DPO Annual Report for 2016-17 (Attachment B)</li> </ul>	Ports	Approved
			<ul style="list-style-type: none"> <li>• Approve the draft letter to DPO (Attachment C)</li> </ul>	Ports	Approved
			<ul style="list-style-type: none"> <li>• Approve sending the draft letter to DPO</li> </ul>	Ports	Approved



Date	Agenda item	Item	Decision	Industry	Outcome
			<ul style="list-style-type: none"> <li>• Approve the draft report on material instances of non-compliance with the Darwin Port Access Policy and Determinations for 2016-17 (Attachment D)</li> </ul>	Ports	Approved
			<ul style="list-style-type: none"> <li>• Approve the draft report on material instances on non-compliance with the Darwin Port Access Policy and Determinations to be sent to the Minister of Infrastructure, Planning and Logistics</li> </ul>	Ports	Approved
			<ul style="list-style-type: none"> <li>• Approve publication of the commission's 2016-17 report to the minister on material instances of non-compliance with the Darwin Port Access Policy and Determinations (once tabled in Parliament) on the commission's website</li> </ul>	Ports	Approved
	2.2	Review of special licences (IPP Generation)	<ul style="list-style-type: none"> <li>• Approve variation of special licences (IPP Generation) issued to each of the following: <ul style="list-style-type: none"> <li>- EDL NGD (NT) Pty Ltd (part of Energy Developments Group) for operations at McArthur River</li> <li>- Energy Resources of Australia Ltd for operations at Jabiru</li> <li>- LMS Energy Pty Ltd (previously LMS Generation Pty Ltd)</li> <li>- Uterne Power Plant Pty Ltd (part of Epuron Group)</li> <li>- TKLN Solar Pty Ltd (part of Epuron Group)</li> </ul> </li> <li>• Approved execution of licences under Utilities Commission seal by the Director, Utilities Commission</li> </ul>	Electricity	Approved
27-Jan-18	OOS no. 4, 2017-18	Technical conditions for generation licences	<ul style="list-style-type: none"> <li>• Approve a 12-month engagement with WSP to provide advice on technical aspects of any proposed generation licence application and any proposed generation licence performance conditions</li> </ul>	Electricity	Approved
3-Feb-18	2.4	Port of Darwin Final Price Determination	<ul style="list-style-type: none"> <li>• Approve the Final Price Determination for the Port of Darwin and accompanying Statement of Reasons</li> </ul>	Ports	Approved

Date	Agenda item	Item	Decision	Industry	Outcome
20-Feb-18	OOS no. 5, 2017-18	2018 Ports Access and Pricing Review	<ul style="list-style-type: none"> <li>• Approve the publication of the 2017 Port of Darwin Comparative Report on the commission's website</li> <li>• Approve the publication of the GHD 2017 Port of Darwin Price Benchmarking Report on the commission's website;</li> <li>• Approve the Issues Paper for the 2018 Ports Access and Pricing Review dated February 2018 (including appendices) (pending final confirmation of factual check from Darwin Port Operations Pty Ltd)</li> <li>• Approve the publication of the Issues Paper (including Appendices) on the commission's website</li> </ul>	Ports    Ports  Ports  Ports	Approved    Approved  Approved  Approved
28-Feb-18	3.1	Licence Applications	<ul style="list-style-type: none"> <li>• Approve a generation licence to be issued to Katherine Solar Pty Ltd (Kath Solar) for a 25 megawatt solar photovoltaic plant near Katherine, in accordance with Part 3 of the <i>Electricity Reform Act</i></li> <li>• Approve a generation licence to be issued to Airport Development Group Pty Ltd (ADG) for its current solar photovoltaic arrays at the Darwin and Alice Springs airports, in accordance with Part 3 of the <i>Electricity Reform Act</i> subject to the following conditions being satisfied: Update of the ADG network access agreement with Power and Water Corporation</li> <li>• Approve a retail licence to be issued to Next Business Energy Pty Ltd (Next Business) in accordance with Part 3 of the <i>Electricity Reform Act</i> subject to the following conditions being satisfied: Finalisation of Next Business's network access agreement with Power and Water Corporation</li> </ul>	Electricity   Electricity  Electricity	Approved   Approved  Approved

Date	Agenda item	Item	Decision	Industry	Outcome
			<ul style="list-style-type: none"> <li>• Approve the Director Utilities Commission to affix the commission's common seal to the generation licences issued to Katherine Solar, ADG and Next Business, subject to the above conditions being satisfied</li> </ul>	Electricity	Approved
	3.2	Compliance audit of Pricing Orders	<ul style="list-style-type: none"> <li>• Approve publication of the report on the commission's website and writing to the Treasurer</li> </ul>	Electricity	Approved
28-Mar-18	3.1	Port of Darwin: Reporting Guidelines	<ul style="list-style-type: none"> <li>• Approve the Reporting Guidelines made pursuant to section 128 of the <i>Ports Management Act</i> and regulation 14 of the Ports Management Regulations and the associated Statement of Reasons (subject to final proofing and formatting)</li> <li>• Approve publication of the Reporting Guidelines in the Northern Territory Government Gazette pursuant to section 128(2) of the <i>Ports Management Act</i>, and publication on the commission's website</li> <li>• Approve electronic signing of the letter to the minister of Infrastructure, Planning and Logistics advising of the issuing of the Reporting Guidelines</li> <li>• Authorise the Director Utilities Commission to finalise and publish the Reporting Guidelines, Statement of Reasons and associated letters and notifications</li> </ul>	Ports	Approved
	3.3	Network Access and Coordination Agreement (NACA)	<ul style="list-style-type: none"> <li>• Authorise the Director Utilities Commission to approve individual NACA agreements, subject to consistency with the template</li> <li>• Authorise the Director Utilities Commission to implement any commission actions under the NACA (such as provide comment on any communication protocols and deal with disputes)</li> </ul>	Electricity	Approved
	3.4	Power and Water Corporation Performance Standards	<ul style="list-style-type: none"> <li>• Approve the following reliability performance targets for Power and Water Corporation from 1 July 2019 to 30 June 2024</li> </ul>	Electricity	Approved

Date	Agenda item	Item	Decision	Industry	Outcome
			<ul style="list-style-type: none"> <li>• Approve the Director Utilities Commission writing to Power and Water Corporation setting out the approved targets and the reason for the variation from that proposed by Power and Water Corporation</li> </ul>	Electricity	Approved
	3.5	Electricity Retail Supply Code	<ul style="list-style-type: none"> <li>• Approve publishing the performance targets</li> <li>• Approve the draft Electricity Retail Supply Code and accompanying Statement of Reasons for publication and for public consultation</li> </ul>	Electricity	Approved
22-Jun-18	3.3	2016-17 Power System Review	<ul style="list-style-type: none"> <li>• Approve the 2016-17 Power System Review (Attachments A-I) subject to final editing</li> <li>• Approve publication of the 2016-17 Power System Review and associated fact sheet (once circulated) on the Utilities Commission website</li> </ul>	Electricity	Approved
	3.4	TC Marcus: Natural Event Day	<ul style="list-style-type: none"> <li>• Approve Tropical Cyclone Marcus as a natural event day, and thus approve that Power and Water Corporation is exempt from making guaranteed service level payments relating to this event</li> <li>• Approve publication of the attached report (subject to final editing)</li> </ul>	Electricity	Approved

## Appendix B: Expenditure and receipts

The Utilities Commission is established as a separate administrative unit within the Department of Treasury and Finance (DTF). The commission does not separately compile its own financial statements, but its activities are included in the consolidated financial statements provided in DTF's Annual Report.

This appendix publishes the expenditures of the commission funded directly from consolidated revenue, as well as the associated receipts.

Table B1: Expenses by category of cost

Expenses	2016-17	2017-18
	\$000	\$000
<b>EMPLOYEE EXPENSES</b>	<b>501</b>	<b>453</b>
<b>GENERAL EXPENSES</b>	<b>698</b>	<b>607</b>
Regulatory/commission expenses	93	159
Expert advice (including legal)	556	437
Office expenses, administration etc.	12	9
Recruitment and training	37	2
<b>TOTAL EXPENSES</b>	<b>1199</b>	<b>1060</b>

Table B2: Licence fees and charges

Account	2016-17	2017-18
	\$000	\$000
<b>FEES AND CHARGES</b>		
Licence application fees		6
Electricity licence fees	428	438
Water and sewerage licence fees	50	50
<b>TOTAL REVENUE</b>	<b>478</b>	<b>493</b>

Note: Section 19 of the *Utilities Commission Act* provides that, unless otherwise directed by the minister, fees and other monies received by the commission are paid into the Consolidated Revenue Account. No such direction has been issued.

The licence fee schedule was approved by the minister effective 1 July 2013, to reflect a reasonable contribution towards administrative costs of the commission.



## Appendix C: Advisers to the Utilities Commission

In 2017-18, the Utilities Commission used the services of various consultants and legal services. Fees paid to consultants totalled \$0.345 million, compared with \$0.351 million in the previous year. The costs for the year totalled \$0.091 million for legal expenses, compared with \$0.204 million in the previous year.

The commission engaged consultants and legal advice in 2017-18 that included:

- Allens Linklaters provided legal advice on a number of minor legal issues and in relation to the review of various codes, including the Retail Supply Code, Electricity Industry Performance Code, Guaranteed Service Standard Code and Electricity Standards of Service Code
- Australian Energy Market Operator assisted the commission with the development of and modelling undertaken for the 2016-17 Power System Review
- Entura assisted the commission with technical advice relating to the 2016-17 Power System Review
- GHD undertook a review into the port industry resulting in the report: Darwin Port Price Benchmarking Study, 2017
- Johnson Winter Slattery Lawyers provided legal advice regarding the port regulatory regime, including the Ports Access and Pricing Review
- PricewaterhouseCoopers undertook the review into compliance with the minister's pricing orders, resulting in the report: Utilities Commission of the Northern Territory – Pricing Orders, Specified Procedures
- WSP (formerly WSP/Parsons Brinkerhoff) undertook the Power and Water Corporation Technical Audit 2017: Follow Up from the 2014 Audit and the Power and Water Corporation Technical Audit 2017: Spinning Reserve
- WSP also provided technical advice to the commission relating to System Control's proposed generation performance standards.

## Appendix D: Publications and reports

Table D1: During 2017-18, the commission published the following reports and documents

Date released	Publication
July 2017	<ul style="list-style-type: none"> <li>• Final Decision Paper Approval of Access Policy Port of Darwin and associated documents</li> <li>• 2015-16 Power System Review, and Fact Sheet</li> <li>• Power System Review: Summary of Key Findings</li> <li>• Statement of Reasons, Proposed Amendment to the Electricity Standards of Service Code and Guaranteed Service Level Code</li> </ul>
October 2017	<ul style="list-style-type: none"> <li>• Utilities Commission Annual Report (2016-17)</li> <li>• Power and Water Corporation Technical Audit 2017: Spinning Reserve</li> <li>• Power and Water Corporation Technical Audit 2017: Follow Up from the 2014 Audit</li> </ul>
February 2018	<ul style="list-style-type: none"> <li>• Issues Paper for the 2018 Ports Access and Pricing Review, 2017 Port of Darwin Comparative Report, 2017 Port of Darwin Price Benchmarking Report</li> </ul>
April 2018	<ul style="list-style-type: none"> <li>• Electricity Retail Supply Code – Statement of Reasons 2018 and Proposed Electricity Retail Supply Code</li> </ul>
May 2018	<ul style="list-style-type: none"> <li>• Annual Report to the minister on Material Non-compliance with the Access Policy and Determinations (2015-16) (2016-17)</li> <li>• Port of Darwin Reporting Guidelines and Statement of Reasons</li> </ul>
June 2018	<ul style="list-style-type: none"> <li>• 2018 Strategic Statement</li> <li>• Power System Review 2016-17</li> </ul>
August 2018	<ul style="list-style-type: none"> <li>• 2018 Ports Access and Pricing Review – Draft Report</li> <li>• Utilities Commission of the Northern Territory – Pricing Orders, Specified Procedures</li> </ul>

These publications can be viewed on the Utilities Commission's website:

[www.utilicom.nt.gov.au](http://www.utilicom.nt.gov.au)