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Utilities Commission
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Review of Electricity System Planning, Monitoring and Reporting

Review of Electricity System Planning and Market Operation Roles and Structures

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Utilities Commission's Draft Reports of its reviews of the Northern Territory Electricity System.

esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of over 40 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ over 52,000 people and contribute \$16 billion directly to the nation's Gross Domestic Product.

The draft recommendations in the *Review of Electricity System Planning, Monitoring and Reporting* propose a range of measures to expand the current arrangements for the planning, monitoring and reporting for the electricity system and distribution networks. The Commission has tried to identify effective planning, monitoring and reporting arrangements to support service level and price level expectations and deliver appropriate levels of accountability and visibility of reliability and price outcomes.

The draft recommendations in the *Review of Electricity System Planning and Market Operation Roles and Structures* propose changes to the institutional and regulatory arrangements, including the development of a comprehensive Electricity Industry Code and changing the accountability arrangements for the System Controller function within Power and Water Corporation. The Commission considers that the approach to allocating roles and responsibilities across the electricity supply chain is a crucial feature of an institutional and regulatory framework that will routinely deliver a reliable and cost effective electricity supply to customers.

The Association notes that over the last few years there have been a number of reviews examining reform options in the Northern Territory electricity industry. A consistent theme in these has been to more closely align Northern Territory arrangements with other electricity systems in Australia. These two latest reviews continue this approach by recommending the adoption of similar arrangements to the National Electricity Market (NEM).

esaa notes that reforms to align the Northern Territory system's operation and governance architecture with Australia's other electricity markets could have benefits to the Northern Territory, for instance, by facilitating national retailers to enter the Northern Territory market.

However, while esaa firmly supports national regulatory frameworks where practicable, before importing NEM-style arrangements into the Northern Territory care must be taken to ensure that the benefits of proposed reforms outweigh their costs. For instance, the Northern Territory will benefit from measures that support the emergence of competition in the generation and retail sectors and demonstrate to stakeholders that service level and price level expectations are being met. On the other hand, changes to regulatory roles and obligations involve upfront and ongoing costs and these are ultimately borne by consumers. Given the size of the system, these costs could be proportionally significant.

The relatively small size of the Northern Territory electricity industry does not mean that reform should not be pursued. Indeed, one of the purposes of reform is to provide conditions whereby the system can grow and new entrants can enter the generation and retail sectors. However, the key in the Northern Territory reform process, as with all other jurisdictions in Australia, is to focus on reforms that make sense given their relative costs and benefits.

In this context, esaa supports the proposal to develop a Single Electricity Code. This is a sensible reform to amalgamate the existing range of instruments that have been created on an ad hoc basis and would promote clarity. The Association notes that the governance processes under the various codes are currently diverse, and so in legislating this single code these differences will need to be taken into account and carefully managed.

In contrast, we do not support the separation of System Controller from Power and Water Corporation at this stage. Given that there is already ring fencing in place and no evidence has been presented to suggest current arrangements have failed to deliver appropriate levels of independence, we do not consider this a proportionate response to the issues identified. In a small electricity system such as the Northern Territory, formally separating the System Controller functions from Power and Water Corporation would undoubtedly result in the duplication of roles and functions and add unnecessary costs to the system. It may be more appropriate for the Commission to clearly articulate its specific concerns and work with Power and Water Corporation to develop a plan to ensure that appropriate accountability and reporting obligations are developed over time.

As the review notes, it can be difficult to quantify the costs and benefits of specific changes given inherent uncertainties. However, the Commission could do more to put some boundaries around the likely range of gains that may be possible from market reform and the likely costs of the wide range of recommendations that have been presented in these reports.

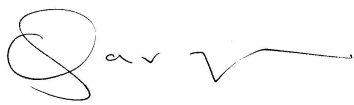
For example, when considering the costs and benefits of reporting requirements, the report simply states that "reporting involves costs to collect, analyse and report data. However, these costs should be offset by the benefits of having authoritative and

comprehensive data when making investment decisions”¹. This entirely generic argument could be used to justify almost any level of reporting.

We encourage the Utilities Commission to work with, and be guided by the views of, industry participants who have detailed day-to-day understanding of the likely costs involved in the proposed reforms ahead of the final reports.

Any questions about our submission should be addressed to Kieran Donoghue, by email to kieran.donoghue@esaa.com.au or by telephone on (03) 9670 0188.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Clare Savage', with a stylized flourish at the end.

Clare Savage
Interim Chief Executive Officer

¹ Review of Electricity System Planning Monitoring and Reporting , Draft Report, p54