



## Media Release

28 August 2009

### Competition in Electricity Supply

The Utilities Commission has released an Issues Paper about extending competition in the supply of electricity to all Territory electricity users.

Large customers may now obtain electricity from a supplier other than the Power and Water Corporation, but at the moment there are no other suppliers doing business in the Territory.

Under the current timetable, all customers would have a choice of supplier from April 2010. However, given that competition for larger customers has not developed, the Government has asked the Utilities Commission to advise on options for implementation of full retail competition.

Commissioner Andrew Reeves said:

The Commission is to report on the conditions necessary for competition to develop and what prudent actions Government might take to encourage competition. We are to consider the costs and benefits of Full Retail Contestability (FRC), the option of postponing its introduction, and the terms and conditions for potential supply contracts and the contract design most likely to promote an efficient outcome, if the retail market is opened up to competitors.

The Commission is calling for Submissions by Friday 25 September 2009 in response to the Issues Paper published 28 August 2009. It will also release a Draft Report for comment before settling its recommendations to Government.

The options the Commission proposes to consider in the FRC review include:

A – Proceed to implement FRC on 1 April 2010 or as soon as practicable thereafter. In the absence of accompanying reforms, the prospect of significant competition is low.

B – Reschedule FRC and adopt a program of additional reforms to support the development of competition.

C – Postpone FRC until conditions more favourable to competition develop (without committing to an additional program of reform).

Based on its initial research, initiatives the Commission considers could possibly promote competition include:

- while Power and Water remains the sole source of wholesale electricity supply, requiring its generation business to determine and publish 'standing offer' wholesale contract prices subject to Commission oversight;
- retail tariff reform - approving retail tariffs that reflect the costs of wholesale electricity, network services, a commercial retail margin and government approved subsidies available to eligible customers, irrespective of supplier;
- strengthening the ring-fencing of Power and Water's component businesses, and
- reform of wholesale market arrangements – improving wholesale market transparency by, for example, adopting or reflecting the National Electricity Market wholesale market arrangements. This would also contribute to a common national approach to energy markets.

This is the first of the priority projects the Government has asked the Utilities Commission to examine, in the light of earlier reports on Power and Water maintenance practices and financing needs. Other projects include a review of the Power and Water capital program for electricity, water supply and sewerage, customer standards of service and monitoring of wholesale electricity prices.

For further information

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

Contact

Andrew Reeves  
Utilities Commissioner  
0419 397 956

## ***Background***

In August 2009 the Treasurer approved Terms of Reference (ToR) for the Utilities Commission (Commission) to undertake a review of Full Retail Contestability (FRC) for Northern Territory electricity customers. The purpose of the review is to consider options for the implementation of FRC in the Northern Territory on 1 April 2010 and assess the merits of each.

The Commission is to report on the objectives of FRC in the Northern Territory context, the conditions necessary for competition to develop in the Territory, and the prudent actions Government should take to encourage the development of competition. The inquiry is to present the various options for the design and rules of FRC arrangements for electricity in the Northern Territory and make an assessment of the likely costs, benefits, and feasibility of each.

## ***The Utilities Commission***

In September and October 2008, residents in Darwin's northern suburbs experienced a series of lengthy power outages as a result of an explosion at the Casuarina Zone Substation. The independent Davies Report on the failures concluded that Power and Water's maintenance effort, record keeping and systems for management of maintenance and works were inadequate. A subsequent independent review of Power and Water's finances found that Power and Water needed a significant increase in revenue to fund its capital and maintenance requirements and remain financially sustainable.

Informed by the findings of these reviews, together with a continuing lack of competition in the market, the Government has approved a reform program to strengthen regulatory oversight of the water, sewerage and electricity industries and the capacity of the Commission. This includes an expansion of the Commission to three members including a regulatory expert, a technical systems specialist and a Territory market expert.

In August 2009 the new Commission was appointed, comprised of Andrew Reeves as Commissioner and Mike Robson and Peter Caldwell as Associate Commissioners.

## ***Work Program***

The objectives of the work program set out by the NT Government are to generate recommendations for reform to increase the efficiency of Power and Water, improve customer standards of service and reliability and, where possible, align the Territory market with the national electricity market.

Priority projects include:

**Review of Options for Full Retail Contestability for Electricity**

Utilities Commission to review and report to the Treasurer on options for implementation of full retail contestability in the Northern Territory at least cost.

**Development of Retail Price Monitoring Regime for Electricity**

Utilities Commission to review and report to the Treasurer on an effective retail price oversight framework for contestable customers and associated reporting and disclosure arrangements.

**Review of Customer Standards of Service Code for Electricity**

Utilities Commission to review and report to the Treasurer on the adequacy of current standards and options for implementation of a customer service incentive scheme.

**System Planning and Monitoring for Electricity**

Utilities Commission to review and report to the Treasurer on the adequacy of current system performance monitoring and reporting arrangements, appropriate network and generation reliability standards and the efficiency of system planning and market operation arrangements.

**Review Power and Water's Capital and Maintenance Programs**

Utilities Commission to review and report to the Treasurer on the forecast costs and assumptions underpinning Power and Water's capital works and maintenance programs, the efficiency of the program in terms of meeting forecast demand and service standards at least cost, and the adequacy of Power and Water's asset management systems.