

# Competition in Electricity Supply: A Guide for Contestable Customers<sup>1</sup>

## 1. Why is competition being introduced?

The introduction of competition into the Territory's electricity supply industry offers you, as a electricity consumer, and the economy in general, several benefits. The aim of introducing competition is to encourage:

- lower average prices through the introduction of competition among generators and retailers;
- better customer service; and
- a wider variety of more innovative energy services.

## 2. Who is going to compete for my business?

The electricity supply industry in the Northern Territory is comprised of three sectors—generation, retail supply and networks.

The **generators** produce the electricity. At present, the Power and Water Authority (PAWA) generates the most electricity, although there are some independent power producers who sell electricity to PAWA. In future, independent generators will have the option to sell their output to retail suppliers other than PAWA or to obtain a retail license and sell direct to end users.

**Retail suppliers** buy electricity from generators (or produce it themselves) and on-sell it to end-use customers. New retail suppliers are expected to enter the market offering services to eligible consumers in competition to PAWA. The number of new suppliers will only become evident over the coming months.

The **network operators** provide the poles and wires used to transport electricity from generators to consumers. All retail suppliers licensed to sell electricity in the Territory will have equal rights of access to the networks. Networks in the Territory are predominantly owned and operated by PAWA.

## 3. What is to be the role of PAWA going forward?

The Territory Government is retaining ownership of the generation, networks and retail supply businesses operated by PAWA but is requiring them to adopt an increased commercial focus.

PAWA will also be required to 'ring-fence' its various electricity businesses to ensure that its regulated monopoly businesses do not shield its generation and retail supply businesses from

---

<sup>1</sup> *This document is provided to assist consumers in understanding the electricity reforms proposed in the Northern Territory. It does not purport to cover all the information that a prospective contestable customer might require. The information provided is based upon proposals being incorporated into legislation to be introduced during the November 1999 sittings of the Legislative Assembly. The arrangements finally adopted will depend upon the legislative provisions passed by the Assembly expected to be in February 2000. A further Information Circular will be provided to you at that time.*

competition. This will see PAWA operating three businesses: PAWA Generation, PAWA Retail and PAWA Networks.

#### **4. How will I know if I qualify as a ‘contestable customer’?**

Consumers who can choose their retail supplier are called contestable customers.

Whether you qualify as a contestable customer will be conditional on your electricity usage. If you meet the criteria, you may choose your retail supplier.

If your power bill shows that your organisation took more than 4 gigawatt-hours (GWh) of electricity from a particular supply point (or site) in a consecutive 12 month period since 1 July 1998, you are likely to be one of the customers to get a choice of retail supplier from 1 April 2000.

If you take supply from several sites, you will not be able to add (aggregate) your consumption from these sites.

If your total power consumption at a particular site is less than 4 GWh, eligibility will be progressively extended in accordance with the following timetable:

<b>date for introduction of competition</b>	<b>minimum customer load level at a single site</b>
1 April 2000	4 GWh
1 October 2000	3 GWh
1 April 2001	2 GWh
1 April 2002	750 MWh

The minimum customer load requirement will be satisfied where:

- a customer’s actual total power consumption at a single site during a consecutive 12 month period since 1 July 1998 was more than the set level (e.g. 4 GWh in respect of the 1 April 2000 eligibility date for contestability); or
- a customer’s expected total consumption at that site during a consecutive 12 month period beginning on or after 1 April 2000 is likely to be more than the set level if the customer either:
  - did not consume electricity at that site before 1 July 1998, or
  - the customer’s business or premises at that site were expanded after 1 July 1998 and the expansion causes the estimate to be more than the set level.

#### **5. What choice do I have?**

When you become contestable, you will have a choice of:

- staying with PAWA Retail;
- moving to a new retail supplier of your choice; or
- dealing direct with a generator and making your own arrangements to have electricity supplied to you.

You won’t be able to choose your network operator. They remain monopolies in their geographical area because it costs too much to build more than one set of poles and wires to bring electricity to you.

Your retail supplier will either buy electricity from a generator or generate itself and settle the regulated network tariffs with the network operator in your area, and is likely to pass these costs on to you. The network tariff paid by a retail supplier for use of the networks will not exceed maximum levels to be approved from time to time by the Utilities Commission.

The energy charge you pay, being for the electricity you use, will be a matter for negotiation. The network charge you pay is likely to represent a pass-through of the network usage costs charged to your retail supplier, and that component of the overall cost of supply is unlikely to be negotiable.

## **6. Do I have to make a choice?**

Only by exercising the right to choose will customers exert pressure on suppliers to reduce electricity prices.

However, if your circumstances mean that you do not wish to exercise this right to choose, you will be able to remain on your existing supply arrangements and tariff schedule with PAWA for up to two years from the date you become eligible to be a contestable customer. After that time, all contestable customers are to have contracts with a licensed supplier on negotiated terms and conditions, be it with PAWA or otherwise.

Once you move into the contestable market, your decision is irrevocable. Once you are contestable, you will of course be able to change supplier, including to PAWA, but you will not have an automatic right to return to your former tariff schedule with PAWA. Also, your ability to change supplier will obviously be affected by any contractual obligations you have agreed with your existing supplier.

## **7. Do I need to sign up immediately?**

Detailed arrangements underpinning the competitive market are still being worked out. For example, the network prices to be paid by generators and retail suppliers from 1 April 2000 will not be published until 30 days before that date. Not all new retail suppliers have yet established themselves and no licences under the new arrangements have yet been issued.

For these reasons, to ensure that you are able to make the most informed choice, you should not feel compelled to sign up to contractual arrangements with any retail supplier, either PAWA or a new supplier, until the arrangements and prices are known to you and your options are clear.

## **8. How do I organise my contracts?**

Contestable customers will need to negotiate a contract with a licensed retail supplier or directly with a generator (whether PAWA, a new retail supplier or a generator). The duration of your contract is negotiable. It could be for any length of time, depending on your needs and what you can negotiate.

Negotiation of major contracts usually takes some time, even when the issues are well known to both parties. Because the competitive sourcing of electricity is new in the Territory, all retail suppliers and generators, like you the customer, will be implementing new business processes to respond to the new market environment. Allowing time for suppliers to respond to your inquiries or negotiations will be part of good procurement planning in the early days of the competitive market.

## **9. What issues should I raise with a retailer or generator seeking my business?**

In choosing your retail supplier, or when dealing direct with a generator, you need to decide which product best suits your needs. In particular, you need to decide your preferred balance between price and risk.

Your supplier will be required to supply all of your electricity needs at a single site. They will not be able to contract for the partial supply of your needs. You will therefore need to inquire about the standby power arrangements that your supplier has in place in case of outages from their primary power source, and ensure that the reliability standards being offered will suit your requirements.

Experience in other competitive energy markets demonstrates that customers considering changing their suppliers benefit by developing a standard request for quotation, using a format which ensures the quotations received can be compared at a glance.

To obtain quotes from a supplier, you will need to know the total amount of electricity you use and how that consumption varies from time to time (called your 'load profile').

You may find it easier to compare quotations from different suppliers if you request quotations to separately itemise the component energy and network charges.

You should also discuss with suppliers any costs associated with you changing your supplier.

As you will be aware, the GST will be applied to supply of electricity from 1 July 2000 and this should be borne in mind in relation to all negotiations.

## **10. Will I need a new meter?**

If you wish to move to a new supplier once you are eligible (or move off the standard tariff with PAWA), you will need a half-hour meter capable of being read remotely. This so-called 'smart meter' will be used for load management as well as billing purposes. The meters will be installed and owned by your network operator. Your supplier will be charged for the use of that meter, and can be expected to pass those costs on to you.

## **11. What rights of appeal will I have in my dealings with suppliers?**

Until you qualify as contestable, you will continue to have access to the Ombudsman for the Northern Territory if you have a complaint against PAWA.

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

*22 November 1999*

For further information, please contact: Sean Greenup Office of the Interim Utilities Commissioner (08) 8999 7980
--

## Contestable Customers Notice of Interests

To indicate your interests, please complete and return the attached questionnaire to:

Office of the Interim Utilities Commissioner  
GPO Box 1974  
Darwin NT 0801

or email: [utilities.commissioner@nt.gov.au](mailto:utilities.commissioner@nt.gov.au)

Any information provided below will be kept confidential by the Office of the Interim Utilities Commissioner and not passed to other industry participants.

+++++

ORGANISATION NAME: \_\_\_\_\_

POSTAL ADDRESS: \_\_\_\_\_  
 \_\_\_\_\_ Postcode: \_\_\_\_\_

FAX NUMBER: \_\_\_\_\_

CONTACT OFFICER:  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Phone Number: \_\_\_\_\_

**Please circle the relevant box as appropriate:**

*I would like to be included on a mailing list to receive future information circulars and other notices from the Office of the Interim Utilities Commissioner .....*  **Yes**  **No**

*I am interested in attending an information session on the new market arrangements if it were organised for:*

<i>December .....</i>	<b>Yes</b>	<b>No</b>
<i>January .....</i>	<b>Yes</b>	<b>No</b>
<i>February .....</i>	<b>Yes</b>	<b>No</b>

*I would like to receive notice of draft and final determinations by the Interim Utilities Commissioner regarding network access pricing (in accordance with the proposed Access Code), and be invited to make submissions on these matters where appropriate .....*  **Yes**  **No**