



29 June 2011

The Executive Officer
Utilities Commission
GPO Box 915
DARWIN NT 0801

By email: utilities.commission@nt.gov.au

Dear Sir/Madam

Draft Interim Electricity Retail Supply Code

The Northern Territory Major Energy Users (NTMEU) appreciates the opportunity to comment on aspects of the Code, in accordance with the associated Consultation Paper issued on 21 June 2011. The draft Interim Electricity Retail Code is generally supported.

The NTMEU makes a few comments and observations in respect to the matters raised in the Consultation Paper and the draft Interim Code.

1. Generation pricing

It is noted that the Commission has not yet implemented a wholesale electricity supply pricing management policy or code. The outcome of this has an impact on the retail code as currently the retail code only allows transfers from PWC Retail when there is an interval meter installed at the consumer's point of connection.

The prime reason for requiring interval metering is to measure the half hourly usage of the consumer and to match this to the cost of generation for the same half hour. Unless there is a wholesale pricing requirement to match the half hour measurement of usage by a consumer, then the primary use for requiring an interval meter does not apply or is redundant.

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The NTMEU considers that half hourly pricing of wholesale electricity is required as this provides the best indication of the cost of each consumer's electricity demand profile.

As noted at point 3 below, the NTMEU considers that if there is not to be a half hourly generation pricing profile, the requirement for a consumer to have an interval meter before being able to transfer, then becomes a barrier to new entrant retailers.

The NTMEU considers that unless the Wholesale Pricing Framework imposes a half hourly pricing requirement on PWC Generation, then the requirement of a consumer requiring an interval meter before a transfer can be made, should be removed.

2. Prudential requirements

Whilst the NTMEU recognises the need for retailers to provide credit support in relation to both networks and generation, it recognises that this requirement can provide a barrier to new entrants to the NT electricity market.

As PWC is both the provider of networks and generation, the requirement for new retail entrants to be obliged to provide such credit support when PWC Retail does not have to do so because it is related to both PWC Networks and PWC Generation, gives PWC Retail a significant commercial advantage over new entrants. Access to new entrants must be on equal terms to those available to the incumbent retailer.

In the NEM, prudential requirements (in form and value) for electricity supply are determined by AEMO which is independent of all other commercial activities in the NEM. In the case of the NT, PWC is not only the system operator but also the generator, and so PWC Retail would effectively be exempt from this requirement. The NTMEU notes in the draft Retail Code that, in the case of generation, the current monopoly provider, PWC Generation, has the right to determine the form and the value (up to a maximum limit) of the prudential requirements. As PWC Retail is a party related to PWC Generation, this approach provides a barrier to new retail entrants.

In the case of networks, credit support levels are defined and apply equally to all retailers who are now mostly independent of network ownership. Because of the relationship between PWC Retail and PWC Networks, there is essentially no requirement for PWC Retail to have to supply such credit support.

The Utilities Commission needs to identify a method whereby the commercial advantage from not having to provide credit support by PWC Retail is eliminated. Any credit support requirements for network and generation to be applied to retailers should be neutral (both in value and form) for PWC Retail and any new entrants of reasonable and demonstrable credit worthiness.

3. Transfer of customers

It is noted that any customer that desires to change retailer must be connected through an interval meter before a transfer can be implemented. This requirement does not apply in other jurisdictions and there is full contestability even where consumers do not have interval meters.

To impose the requirement of a transfer only being possible when there is an interval meter, is another, and unnecessary, barrier to entry for a new retailer.

This requirement is even more unreasonable when it is considered that it will be PWC Networks that would be making the change over. This means there is an inbuilt benefit for PWC Retail should PWC Networks not be diligent in providing the new meters.

Yours sincerely

Michael Williams
Chairman
Northern Territory Major Energy Users