

Subject: TRIM: Re: Consultation Versions of "Review of Electricity System Planning, Monitoring and Reporting" and "Review of Electricity System Planning and Market Operation Roles and Structures"

Mr Philippe Laspeyres
Senior Regulatory Analyst
NT Utilities Commission
Sent by email

Dear Philippe

I refer to your email dated 5 August 2011 in which you provided the above Draft Reports for consultation. QEnergy's comments on the *Review of Electricity System Planning, Monitoring and Reporting Report* are as follows.

QEnergy:

- Supports Draft Recommendation 1a in relation to the development and implementation of planning instruments;
- Supports Draft Recommendation 2a in relation to robust compliance processes for generation and transmission;
- Supports Draft Recommendation 2b in relation to the implementation of a mechanism requiring the investigation of power system incidents;
- Supports Draft Recommendation 2c in relation to the development of a clear process for oversight and regular review of the technical obligations for the power system;
- Supports Draft Recommendation 3a in relation to the development and implementation of a framework for reporting of power system information;
- Supports Draft Recommendation 3b in relation to independence in the preparation of reporting instruments;
- Supports Draft Recommendation 4a in relation to the development of network planning instruments;
- Supports Draft Recommendation 4b in relation to the development of clearly defined network reliability planning standards and performance targets;
- Supports Draft Recommendation 5a in relation to Power and Water's efforts to develop and maintain a robust compliance process. QEnergy considers that this should be made stronger to require Power and Water with penalties for non-compliance;
- Supports Draft Recommendation 5b in relation to the implementation of a mechanism for the investigation of network incidents;
- Supports Draft Recommendation 5c in relation to the review of the processes and triggers for oversight and review of technical obligations and parameters for the distribution network;
- Supports Draft Recommendation 6a in relation to the development and implementation of a framework for authoritative and comprehensive distribution network information; and
- Supports Draft Recommendation 6b in relation to the reporting framework providing appropriate independence and accountability in the preparation of reporting instruments.

QEnergy supports the particulars of the above recommendations as well as the direction and commends the Commission for its review of these issues. With particular reference to the question of costs and benefits of the recommendations, QEnergy wholly agrees with the Commission that the benefits exceed

the costs in ensuring a well run, transparent and competitive electricity market in the Northern Territory.

QEnergy's comments on the *Review of Electricity System Planning and Market Operation Roles and Structures* are as follows.

QEnergy:

- Supports Draft Recommendation 1 in relation to the requirements for good governance. There are very clear potentials for conflicts of interest in the Northern Territory market as a direct consequence of Power and Water's ownership of vertically integrated functions and its use of shared services whereby the same staff are used to negotiate on behalf of multiple competing businesses. QEnergy supports strongly the direction of the Commission's analysis in this regard;
- Supports Draft Recommendation 2 in relation to the oversight of compliance with market and system operation.
The Commission should note that:
 - Regardless of intention, System Control is not independent of Power and Water, and is therefore a related party of Power and Water Retail, with whom Power and Water competes.
This means that the Commission will need to strongly concern itself with the strength of these relationships, the signals that related party competition sends to investors and the actual behaviour of system control in a dynamic sense;
 - QEnergy agrees with the Commission having oversight of system control.
- Supports Recommendation 3 in relation to allocating responsibility for rule making and operations functions. The divestment of Rule making to a non-Government and non-rule implementing body was one of the key and beneficial changes to the National Electricity Market and will increase confidence among private sector national players such as QEnergy;
- Supports Recommendation 4 in relation to allocating responsibility for supervisory and not-for-profit functions.
- Supports Recommendation 6 in relation to financial independence of the system controller, however notes that there is a role for the Commission in ensuring that cost transfer between Power and Water Retail and Generation, and System Control, does not occur.

Overall, the Draft Reports reflect well considered, NEM like approaches to the establishment of the NT competitive market. Should it prove helpful, I would be available to discuss QEnergy's responses with you in detail to assist in informing future deliberations.

Best regards

Kate Farrar
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