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SYSTEM CONTROL LICENCE

Issued to

POWER AND WATER CORPORATION

Date of Issue

1 July 2008

As varied on

28 February 2011

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System Control Licence

Licensee: Power and Water Corporation

1 Definitions and Interpretation

1.1 In this licence a word or phrase in italics:

- (a) has the meaning given to it in part 1 of schedule 1; or
- (b) if the word or phrase is not defined in part 1 of schedule 1, then it has the meaning given to it in the *Electricity Reform Act*.

1.2 This licence must be interpreted in accordance with the rules set out in part 2 of schedule 1.

2 Grant of licence

2.1 Under Part 3 of the *Electricity Reform Act*, the *Utilities Commission* grants the licensee a licence to exercise system control over the *power system* described in schedule 2 in accordance with the terms and conditions of this licence.

2.2 Subject to the *Regulations*, the licensee has the function of monitoring and controlling the operation of the *power system* with a view to ensuring that the *power system* operates reliably, safely, securely and efficiently in accordance with the *System Control Technical Code*.

3 Powers of the System Controller

In carrying out the *System Controller's* functions under the *Electricity Reform Act*, the licensee has:

- (a) power to issue directions to *electricity entities* which are engaged in operation of the *power system*, or contribute electricity to, or take electricity from, the *power system* in accordance with section 38 of the *Electricity Reform Act*; and
- (b) the other powers conferred by the *Regulations*.

4 Term

This licence commences on the date it is issued and continues until the earlier of:

- (a) when it is surrendered by the licensee under section 35 of the *Electricity Reform Act*; or
 - (b) when it is cancelled by the *Utilities Commission* under section 36 of the *Electricity Reform Act*.
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5 Annual return

The licensee must lodge an annual return containing such information as is required from time to time by the *Utilities Commission* by written notice.

6 Suspension of licence

This licence may be suspended under section 36 of the *Electricity Reform Act*.

7 Variation of licence

This licence may only be varied in accordance with section 32 of the *Electricity Reform Act*.

8 Transfer of licence

This licence may only be transferred in accordance with section 33 of the *Electricity Reform Act*.

9 Licence fee

The licensee must pay an annual licence fee or instalment of the annual licence fee, as the case may be, to the *Utilities Commission* as determined by the *Minister* under section 19 of the *Electricity Reform Act*.

10 Capacity to operate

10.1 The licensee must, from time to time, provide the *Utilities Commission* with details of the licensee's financial, technical and other capacity to continue operations under this licence, if requested to do so by the *Utilities Commission*.

10.2 The licensee must provide any information requested by the *Utilities Commission* under clause 10.1 of this licence:

- (a) in a manner and form determined by the *Utilities Commission*; and
- (b) within 20 *business days* of the request.

11 Compliance process and compliance reporting

11.1 The licensee is to establish and maintain a compliance process.

- (a) A licensee must establish, document, maintain and comply with appropriate auditable internal policies, procedures and systems ("compliance process") for ensuring that it complies with its obligations under this licence, and all applicable laws, *codes*, *rules* or standards.
 - (b) The compliance process must include policies, procedures and systems for:
 - (i) training of employees about the obligations of the licensee under this licence;
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- (ii) regular internal audit by the licensee of its compliance with its obligations under this licence;
 - (iii) regular reporting to, and consideration by, the Board of the licensee concerning compliance with the obligations of the licensee under this licence;
 - (iv) dealing with any complaints made by a *customer* or other third party to the licensee in connection with non-compliance by the licensee with its obligations under this licence; and
 - (v) detecting and reporting to the *Utilities Commission* any material breach of the compliance procedures.
- (c) The *Utilities Commission* may (after giving reasonable notice to the licensee) require the licensee to demonstrate to the *Utilities Commission's* satisfaction that:
- (i) the licensee's compliance procedures are adequate; and/or
 - (ii) the licensee is complying with its compliance procedures;
- (d) Any notification made by the *Utilities Commission* to the licensee concerning the *Utilities Commission's* opinion of the adequacy of the compliance process of the licensee will not affect the licensee's obligations under this licence.

11.2 Compliance reports.

- (a) A licensee must provide a report to the *Utilities Commission*, at reasonable intervals determined by the *Utilities Commission*, describing the measures taken by the licensee to ensure compliance with its obligations (a compliance report).
- (b) The compliance report, and the *Utilities Commission's* assessment of compliance, may be made publicly available by the *Utilities Commission*.

11.3 External audit.

- (a) The *Utilities Commission* may, upon reasonable notice to a licensee, require the licensee to appoint an independent auditor to undertake an audit of the licensee's compliance with any of its obligations under this licence.
- (b) The standards or requirements to apply to an audit under clause 11.3 will be determined by the *Utilities Commission* in consultation with the licensee. The auditor will report in accordance with those standards or requirements.

- (c) The auditor will provide a copy of the auditor's report to the licensee and the *Utilities Commission* as soon as reasonably possible after it has been completed.
- (d) The licensee will be responsible to pay the costs of undertaking the audit.

11.4 Appointment of external auditor by *Utilities Commission*.

- (a) The *Utilities Commission* may, upon reasonable notice to a licensee, appoint an independent auditor to undertake an audit of the licensee's compliance with any of its obligations under this licence.
- (b) In the event that the *Utilities Commission* appoints an independent auditor,
 - (i) the *Utilities Commission* will nominate the standards and requirements, and the auditor will report in accordance with those standards or requirements; and
 - (ii) the licensee must cooperate with any reasonable requests made by the independent auditor in undertaking the audit.
- (c) The *Utilities Commission* will provide a copy of the auditor's report to the licensee as soon as reasonably possible after it has been completed.
- (d) The licensee will be responsible to pay the costs of undertaking the audit.

11.5 Notification of breaches to the *Utilities Commission*.

- (a) A licensee must report any material breach of its obligations under this licence to the *Utilities Commission* as soon as reasonably possible after becoming aware that the breach has occurred, and must advise of the remedial action that is being undertaken to rectify the breach.

12 Changes in offices or major shareholders

The licensee must notify the *Utilities Commission* of any change to any *officer* and, if applicable, any *major shareholder* of the licensee, within 20 *business days* after the change.

13 Community service obligations

The licensee must comply with the requirements of any scheme approved and funded by the *Minister* for the performance of community service obligations by electricity entities.

14 Development of System Control Technical Code

- 14.1 Within 3 months after the issue of this licence, the licensee must prepare a *System Control Technical Code* and submit it for approval by the *Utilities Commission*.
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14.2 The *System Control Technical Code* may set out:

- (a) operating protocols;
- (b) arrangements for system security and dispatch;
- (c) arrangements for disconnection; and

any other matters relating to the monitoring, operation and control of the *power system*, which the *System Controller* considers appropriate for the reliable, safe, secure and efficient operation of the *power system*.

14.3 The licensee may amend the *System Control Technical Code* at any time, but only with the prior written approval of the *Utilities Commission*.

14.4 If requested to do so by the *Utilities Commission*, the licensee must amend the *System Control Technical Code* in the manner suggested by the *Utilities Commission*.

14.5 The licensee must consult with all electricity entities holding a generation licence, network licence or retail licence when establishing and amending the *System Control Technical Code*.

15 Disconnection

15.1 The licensee must *disconnect customers* in accordance with any protocols which are developed by the licensee in the *System Control Technical Code*.

16 Provision of other services

16.1 If the licensee, in conducting its business under this licence, provides services for which the licensee is not remunerated under the charges approved by the *Utilities Commission*, then the terms on which the licensee provides those services must be fair and reasonable.

16.2 Any questions as to what is fair and reasonable will be decided by the *Utilities Commission*.

17 Consultation

The licensee must participate to the extent specified by the *Utilities Commission* in the development, issue and review of any regulatory instruments.

18 Provision of information to the Utilities Commission

18.1 The *Utilities Commission* may request the licensee to monitor certain activities in connection with the operation of the *power system*.

18.2 The licensee must comply with a request of the *Utilities Commission* under clause 18.1 of this licence.

18.3 The licensee must keep items of information collected or derived in the course of monitoring the activities of any *electricity entity* or other person in connection with the operations of the *power system* ("**Monitored Information**") for a time period determined by the *Utilities Commission*.

18.4 If the *Utilities Commission* requests the licensee to provide any Monitored Information, the licensee must provide that information to the *Utilities Commission* as soon as practicable after receiving the request.

18.5 If:

- (a) the *Utilities Commission* requests the licensee to provide any item of information which is not Monitored Information; and
- (b) that item is in the possession of the licensee or could be obtained by the licensee by taking reasonable steps; and
- (c) the licensee would not be in breach of an agreement or other confidentiality obligation if it disclosed the item to the *Utilities Commission*,

then the licensee must provide that item to the *Utilities Commission* as soon as practicable after receiving the request.

19 Operator

If an operator is appointed to the licensee's business under section 41 of the *Electricity Reform Act*, the operator must exercise its functions and powers in such a manner as may be specified by the *Utilities Commission* in the instrument of appointment.

Date: 28/2/2011

THE COMMON SEAL of UTILITIES COMMISSION is duly affixed in the presence of:)))

A. Caldwell
Signature of authorised person

Associate Utilities Commissioner
Office held

PETER JOHN CALDWELL
Name of authorised person (block letters)



Schedule 1

Part 1 - Definitions

In this licence:

“*business day*” means a day on which banks are open for general banking business in Darwin, excluding a Saturday or Sunday;

“*code*” means any code made by the *Utilities Commission* under section 24 of the *Utilities Commission Act*;

“*customer*” has the meaning given to that term under the *Electricity Reform Act*;

“*disconnect*”, an electricity supply, includes a procedure to interrupt or discontinue the electricity supply to a *customer* and disconnection and disconnecting have the corresponding meanings;

“*Electricity Reform Act*” means the *Electricity Reform Act 2000 (NT)*;

“*electricity entity*” means a person licensed under Part 3 of the *Electricity Reform Act* to carry on operations in the electricity supply industry;

“*electricity network*” has the meaning given to that term under the *Electricity Reform Act*;

“*Electricity Network (Third Party Access) Act*” means the *Electricity Network (Third Party Access) Act 2000 (NT)*;

“*financial year*” means a period of 12 months ending at the end on 30 June;

“*generation licence*” means a licence to generate electricity granted under Part 3 of the *Electricity Reform Act*;

“*major shareholder*” means an entity, as defined in section 9 of the Corporations Act, which has a beneficial interest in more than 50% of the shares in the licensee or exercises control over the licensee within the meaning of section 50AA of the Corporations Act;

“*Minister*” means the Minister of the Crown who is responsible for the administration of the *Electricity Reform Act*;

“*Network Access Code*” means the Network Access Code referred to in the *Electricity Network (Third Party Access) Act*;

“*network licence*” means a licence to operate or own an *electricity network*;

“*Network Technical Code*” means the technical code prepared by the network provider under the Network Access Code;

"*officer*" means a director, secretary or executive manager responsible for carrying out day to day licensed operations;

"*power system*" means the system for generating, transmitting, distributing and supplying electricity and includes a part of the system;

"*Pricing Order*" means the pricing order issued by the Minister and any pricing determination made by the *Utilities Commission* under the *Electricity Reform Act*;

"*Regulations*" means the regulations made under the *Electricity Reform Act*;

"retail licence" means a licence to sell electricity granted under Part 3 of the *Electricity Reform Act*;

"*Ring-Fencing Code*" means the code dealing with ring-fencing issues established by the *Utilities Commission* under the *Utilities Commission Act*;

"*rule*" means any rule made by the *Utilities Commission* under section 24 of the *Utilities Commission Act*;

"*System Controller*" means a person licensed under Part 3 of the *Electricity Reform Act* to exercise system control over the power system;

"*System Control Technical Code*" means the code of that name made by the *System Controller* and approved by the *Utilities Commission* under section 38(1) of the *Electricity Reform Act*;

"*Utilities Commission*" means the *Utilities Commission* established under the *Utilities Commission Act*; and

"*Utilities Commission Act*" means the *Utilities Commission Act 2000 (NT)*.

Part 2 - Interpretation

In this licence, unless the contrary intention appears:

1. headings are inserted for convenience and do not affect the interpretation of this licence;
 2. the singular includes the plural and vice versa;
 3. words importing a gender include any gender;
 4. the word "person" includes a firm, a body corporate, a partnership, joint venture, an unincorporated body or association, trust or any governmental agency;
 5. a reference to a condition, clause or schedule is to a condition, clause or schedule of this licence;
 6. a reference to terms of an offer or agreement is to all terms, conditions and provisions of the offer or agreement;
 7. a reference to this licence or another document includes any variation or replacement of any of them;
 8. a reference to a statute, regulation, proclamation, order in council, ordinance, by-laws, code, law or similar instrument includes all statutes, regulations, proclamations, orders in council, ordinances, by-laws, codes, laws and similar instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
 9. a reference to a person includes that person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and permitted assigns;
 10. the verb "include" (in all its parts, tenses and variants) is not used as, nor is it to be interpreted as, a word of limitation; and
 11. if an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.
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Schedule 2

Power System

The power system(s) covered by the licence are the system(s), comprising the inter-connected generation, transmission and distribution assets, associated with:

1. the Darwin-Katherine power system;
2. the Tennant Creek power system; and
3. the Alice Springs power system.

Schedule 3

Variations to the licence

Date	Reason for variation
28 February 2011	Replacement of clauses 10 (Compliance with Regulatory Instruments) and 12 (Audit of Operations and Compliance) with the new requirement for a compliance process.

