

NOTICE TO CONTESTABLE CUSTOMERS 2004 REGULATORY RESET

The price that you, as a contestable customer, pay for your electricity supply has three components:

- a wholesale *energy* (or generation) component;
- a *retail* margin; and
- a *network* usage charge relating to the transport of electricity from generators to end-use customers.

In the Northern Territory, network usage charges are regulated by the Commission. Such charges can account for up to 40% of the total (or retail) price paid by contestable customers.

The price regulation methodology used by the Commission since 1 April 2000 is due to be reviewed by 30 June 2004. The Commission is required to review this methodology in consultation with all interested parties, including contestable customers.

In July 2003, the Commission provided you with a '*Guide to the Issues*'. That paper sought to identify the main issues to be dealt with. The Commission has now released its draft decision on price regulation methodology issues. This paper is now available on the Commission's website at www.utilicom.nt.gov.au.

The methodology proposed by the Commission can be summarised as follows:

- current network prices will first be adjusted to reflect an up-to-date view of efficient costs; and
- once the starting level of prices has been reset, the adjusted network prices *on average* will be increased each year in line with consumer price inflation *less* an efficiency factor to be determined by the Commission.

The principal attractions of this approach are as follows:

- it is light handed, with no reliance on forecast information and minimal within-period regulatory intervention or compliance activity;
- it will greatly increase incentives on Power and Water to structure individual network prices in line with costs (thereby managing the associated risks);
- it will provide Power and Water with the flexibility necessary to deal with the network implications of offshore gas developments without regulatory adjustments, at the same time as ensuring that existing users are not expected to subsidise new users; and
- it provides a basis for price movements over time that is readily understandable to end users.

The Commission invites you to make a submission concerning the proposed methodology set out in its *Draft Decision Paper*. The paper is available on the Commission's website at www.utilicom.nt.gov.au.

The Commission will accept all submissions received prior to **Friday 24 October 2003**.

The Commission will finalise its methodology decision in mid-November, to be followed by a draft implementation decision before Christmas.

Alan Tregilgas
Utilities Commissioner
for the Utilities Commission
26 September 2003