

Our Ref: 3.1.3.1

«Contact»
«Customer_Trading_Name»
«Alternative_Name»
«Mailing_Address»
«Town» «State» «PCode»

Dear Sir/Madam,

WITHDRAWAL OF NT POWER FROM THE TERRITORY'S ELECTRICITY SUPPLY INDUSTRY

The Commission has been informed of NT Power's decision to cease carrying on operations in the Northern Territory electricity supply industry, in the main due to its inability to secure on-going gas supplies. Associated with this, contestable customers supplied by NT Power have reverted to Power and Water (formerly PAWA).

As retail prices paid by contestable customers will continue to be a matter for negotiation between each customer and the licensed retailers, NT Power's departure may give rise to understandable concerns on the part of contestable customers. In particular, until another retailer enters the market, contestable customers are faced with no choice other than Power and Water when it comes to negotiating (or re-negotiating) a contract for the supply of electricity.

The purpose of this letter is to advise you of the role that the Commission expects to play on behalf of contestable customers in the absence of a competitor to Power and Water.

The Commission intends to monitor the wholesale energy (generation) charges that Power and Water applies to contestable customers, until the Government considers whether to implement more formal regulatory oversight of such charges. The Commission already regulates Power and Water's network charges. Together,

network and generation charges account for about 95% of Power and Water's retail costs.

The Commission will monitor the extent to which the wholesale prices being passed onto contestable customers, *on average*, are based on efficient, forward-looking costs and are no more than would reasonably be expected under competitive conditions. The price paid by an individual customer will continue to be a matter for negotiation between the customer and Power and Water.

In addition, individual contestable customers have the right (under section 48 of the *Electricity Reform Act 2000*) to request the Commission to investigate a complaint they might have regarding any conduct by Power and Water considered contrary to the objects of the *Electricity Reform Act 2000* or the *Utilities Commission Act 2000*. In particular, the objects of the *Electricity Reform Act* refer to, among other things, promoting efficiency and protecting the interests of consumers of electricity. The objects of the *Utilities Commission Act* refer to, among other things, the simulation of competitive market conduct and the prevention of the misuse of monopoly power.

Together, these arrangements should foster an environment where negotiations between individual contestable customers and Power and Water take place on a fair and reasonable basis notwithstanding the absence of a competitor.

Updates on developments in the wake of NT Power's departure will be published from time to time on the Commission's website at www.utilicom.nt.gov.au.

If you have any questions, you can also contact the Commission directly as follows:

telephone: (08) 8999 5480

facsimile: (08) 8999 6262

e-mail: utilities.commission@nt.gov.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Tregilgas', with a stylized flourish at the end.

Alan Tregilgas
Utilities Commissioner
for the Utilities Commission
6 September 2002