

Changing Regulatory Obligations and Requirements applicable to Power and Water Corporation

31 January 2018



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1. Purpose of this document

As set out in Chapter 4 of the Regulatory Proposal, this attachment provides an overview of the key legislative and regulatory instruments that impose regulatory obligations and requirements¹ on Power and Water Corporation (Power and Water) in:

- the current regulatory control period (1 July 2014 to 30 June 2019); and
- the next regulatory control period (1 July 2019 to 30 June 2024).

In Chapter 4 we explain why Power and Water has adopted a pragmatic regulatory baseline of 1 July 2017 to describe the regulatory instruments that are expected to be in force during the 2019-24 regulatory period. In support of that position, this document describes:

- key national legislative and regulatory instruments, and anticipated changes (section 2); and
- key Northern Territory (NT) legislative and regulatory instruments and anticipated changes (section 3).

The full list of relevant instruments is set out in RIN Table 7.3.²

We reserve the right to revise our Regulatory Proposal in response to regulatory changes that occur during the price determination process.

1.1 Regulatory obligations and requirements

Our building block proposal includes the total forecast capital and operating expenditure for the 2019-24 regulatory control period that we consider necessary to meet the capital and operating expenditure objectives associated with the provision of standard control services.

Under the National Electricity (NT) Rules (NT NER)³, the objectives for capital and operating expenditure include compliance with applicable legislative and regulatory obligations and requirements associated with the provision of standard control services.⁴

Reset RIN Table 7.3.1 lists the key regulatory obligations that are reflected in our plans and procedures, and demonstrated through activities and projects in the 2019-24 regulatory period, and described in our Regulatory Proposal.

¹ As defined in section 2D of the National Electricity Law

² We have included in the regulatory baseline the new Electricity Industry Performance Code (Standards of Service and Guaranteed Service Levels) that the Utilities Commission published on 25 October 2017. This updates, merges and replaces the Retail Supply Electricity Standards of Service Code and Guaranteed Service Level Code.

³ That is the National Electricity Rules having force of law in the Northern Territory under section 9 of the National Electricity (NT) Law.

⁴ See NT NER, clauses 6.5.6(a)(2) and 6.5.7(a)(2).

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These obligations cover the areas of technical, safety, environment, emergency and heritage obligations, as well as market and corporate requirements.

However this Attachment and associated RIN Table 7.3.1 does not set out all of the legislative and regulatory obligations that apply to Power and Water. Instead, they include:

- the principal laws, regulations, rules, codes and guidelines that regulate us as a distribution network service provider; and
- other instruments that have a particular impact on our operations as an electricity utility.

As such, this Attachment and associated RIN Table 7.3 does not include all laws of general application to corporations and individuals, such as the Competition and Consumer Act, Corporations Act, Privacy Act, employment, intellectual property, or transport related laws.

Further, while some technical and safety requirements arise from national rules, standards and codes of practice elsewhere in the Regulatory Proposal, we discuss the unique characteristics of the Power and Water business and its context that affects how our regulatory obligations and requirements affect us differently from other network businesses.



2. Key national instruments, and expected changes

As at 1 July 2017, the key instruments and obligations in force, or scheduled to become operative during the 2019-24 regulatory control period, are those set out in Reset RIN Table 7.3.⁵

2.1 Changes in the NT NER

Key national instruments driving the national transition are listed below. Many changes highlighted in Table 1 will require corresponding or complementary changes to existing Territory instruments that currently deal with the relevant obligation.

Law and Rules

- National Electricity (Northern Territory) (National Uniform Legislation) Act
- National Electricity Law, as modified by the National Electricity (Northern Territory) Law
- National Electricity Rules (Northern Territory) Version 10 applied at 1 July 2017
 - Individual chapters and provisions have different commencement dates or triggers, as set out in Table 1 below.
 - Separate published Chapters 7A and 11A of the NT NER will commence on 1 July 2019.

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We have included in the regulatory baseline the new Electricity Industry Performance Code (Standards of Service and Guaranteed Service Levels) that the Utilities Commission published on 25 October 2017. This updates, merges and replaces the Retail Supply Electricity Standards of Service Code and Guaranteed Service Level Code.

Table 1 – NT NER provisions – examples of provisions subject to change

Chapter of NT NER	Commencement	
Chapter 1 Introduction	Applicable from 1 July 2017 with exceptions:	
	1.11 (AEMO Rule Funds) has no effect.	
Chapter 2 Registered Participants and Registration	Not currently applicable, but application is possible in the future.	
Chapter 2A Regional Structures	Not currently applicable, but application is possible in the future.	
Chapter 3 Market Rules	Not currently applicable, but application is possible in the future (though expected to be a jurisdictions instrument, rather than the NER).	
Chapter 4 Power System Security	Not currently applicable, but application is possible in the future (though expected to be a jurisdictions instrument, rather than the NER).	
Chapter 5 Network Connection,	Rules and clauses applicable from 1 July 2019:	
Planning and Expansion	• 5.0, 5.0A, 5.10.2, 5.11, 5.12 (other than clauses 5.12.1(b)(3)	
	• 5.12.2(c)(1), (5)(v), (6) and (8)), 5.13, 5.13A	
	• Schedule 5.7, S5.8(except (b)(5)(iii), (h) and (i)), S5.9 except para (h).	
	Applicable from 1 July 2018:	
	Parts B and C	
	Rules and clauses not currently applicable, but where application is possible in the future:	
	• 5.1 through to 5.9	
	• 5.10.1, 5.10.3, 5.12, 5.12.1(b)(3), 5.12.2(c)(1), (5)(v), (6) and (8)	
	• 5.14 through to 5.22	
	• Schedules S5.1a through to S5.6, S5.8 ((b)(5)(iii), (h) and (i)), S5.9 (h).	
Chapter 5A Electricity Connection	Applicable from 1 July 2017:	
for Retail Customers	Part A (Preliminary only), Part E (except clauses 5A.E.2 and 5A.E.4(c)).	

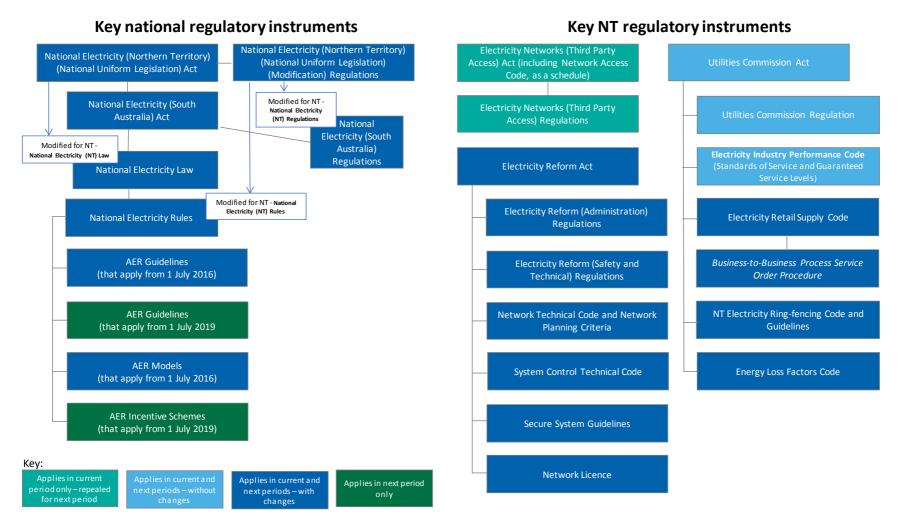
Chapter of NT NER	Commencement	
	Applicable from 1 July 2019:	
	Clause 5A.A.2, Part B, Part C (except cl 5A.C.1(c) and (d))	
	• Part D except 5A.D.1(a)(7) and (b) and 5A.D.1A), 5A.E.2, 5A.E.4 except (c)	
	• Part F (except 5A.F.5(b)(2))	
Schedule 5A.1.		
	Applicable once NERL is implemented in the NT:	
	• Part C (5A.C.1(c) and (d)), 5A.E.4(c), 5A.F.5(b)(2).	
	Not currently applicable, but application is possible in the future:	
	• 5.A.A.3, 5A.D.1(a)(7) and (b), 5A.D.1A, Part G.	
Chapter 6 Economic Regulation of	Applicable from 1 July 2017 with some exceptions listed below.	
Distribution Services	Applicable from 1 July 2019:	
	• Clause 6.18.9(a)(3), Parts J to N, Schedule 6.2.2B(b) and (c).	
	Expiring on 1 July 2019:	
	• Clauses 6.8.1(ea), 6.8.1A(ba), rule 6.27A.	
	Expiring on 1 July 2024:	
	• 6.4.3, 6.6.1(1AB), modifications to 6.6.1(7A), 6.6.1AA, 6.6.1AB, 6.11.1(ba), 6.18.5(ha), modifications to 6.2.5(c).	
	Rules and clauses applicable once NERL implemented in the NT:	
	• 6.6.1(a1)(4), (c)(6)(iii), (l) and (m).	
	Expiring on 1 July 2029:	
	• Schedule 6.2.1, S6.2.1(e)(3A), S6.2.2A(a2), modifications to S6.1.1 and S6.1.2.	
	Clause 6.17.1B to be revisited in the event that contestable services (including metering) are introduced in the NT	
	Not currently applicable but possible in the future:	
	Clauses S6.2.1(d) and S6.2.2.	
Chapter 6A Economic Regulation of	Not currently applicable, but application is possible in the future.	

Chapter of NT NER	Commencement	
Transmission Services		
Chapter 6B Retail Markets	Not currently applicable, but application is possible in the future.	
Chapter 7 Metering	Not applicable, Ch 7A applies as a substitute for Ch 7 taking effect at an unspecified time in the future.	
Chapter 7A Metering	Applicable from 1 July 2019.	
Chapter 8 Administrative Function	Rules and clauses applicable from 1 July 2017 except the following:	
	• 8.1.3(b)(5) and (7), 8.6.1(d) and (e), 8.6.2(1), 8.6.6, 8.6.7	
	• 8.7.2(a)(2) and (4) and (b)(2), 8.7.6, also Part E, Part G.	
	Applicable from 1 July 2019:	
	Part B, Part H.	
Chapter 9 Jurisdictional Derogations and Transitional Arrangements	Not applicable (applies to other jurisdictions).	
Chapter 10 Glossary	Applicable, some definitions to change on 1 July 2017, some definitions to expire on 1 July 2029.	
Chapter 11 Savings and Transitional	Not applicable (applies to other jurisdictions).	
Rules	No effect for:	
	Parts A to ZZI, ZZK, ZZL, ZZN (except for clause 11.86.8), ZZO to ZZT, ZZV and ZZX.	
Chapter 11A NT Savings and Transitional Rules	Applicable from 1 July 2019.	

2.2 Overview of changing instruments, timing

Figure 1 below depicts key relevant legislative and regulatory instruments that are subject to change, and the anticipated timing of those changes.

Figure 1 – Key relevant legislative and regulatory instruments



Note - the Utilities Commission (UC) published a new Electricity Industry Performance Code (Standards of Service and Guaranteed Service Levels) on 25 October 2017 that updates, merges and replaces the Electricity Standards of Service Code and Guaranteed Service Level Code. The Service Targets that support the Electricity Industry Performance Code are yet to be determined by the UC. Consequential changes to the Network Licence are considered likely as and when NT NER provisions are adopted.

3. National legislative and regulatory instruments

This section overviews the key national legislative and regulatory instruments that apply in the current, and will apply in the next, regulatory control periods. It also identifies how the instruments are expected to change.

Table 2 – National applicable regulatory instruments

Instrument	Nature of instrument	Change in instrument in next regulatory control period
National Electricity (Northern Territory) (National Uniform Legislation) Act	 Applies (with modifications): the National Electricity Law set out in the Schedule to the National Electricity (South Australia) Act Regulations under National Electricity (South Australia) Act Repeals (as of 1 July 2019): Electricity Networks (Third Party Access) Act 2000 (Act No. 11 of 2000); Electricity Networks (Third Party Access) Amendment Act 2001 (Act No. 31 of 2001). 	Act took effect on 22 May 2015, other than: • Adoption of NEL – took effect from 1 July 2016 • Repeals – will take effect from 1 July 2019.
National Electricity (Northern Territory) (National Uniform Legislation) (Modification) Regulations	Modifies: National Electricity Regulations National Electricity Rules	Regulation took effect on 1 July 2016. Regulations are expected to be revised with the Department of Treasury and Finance packages 2B and 3 changes. Rule changes have various start dates.
National Electricity (South Australia) Act	Applied in NT by virtue of National Electricity (Northern Territory) (National Uniform Legislation) Act: Includes National Electricity Law as a schedule Applies National Electricity (South Australia) Regulations	Act took effect on 1 July 2016.
National Electricity (South Australia) Regulations	Applied in NT by virtue section 7 of the National Electricity Law. Supports the application of the National Electricity (South Australia) Act and therefore the National Electricity Law.	Regulation took effect on 1 July 2016.
National Electricity Law	A schedule to the National Electricity (South Australia) Act 1996 (SA	Law took effect on 1 July 2016.

Instrument	Nature of instrument	Change in instrument in next regulatory control period
	Act) that, amongst other things:	
	 Details National Electricity Objective and Revenue and Pricing Principles 	
	 Establishes functions and powers of Australian Energy Regulator, Australian Energy Market Commission, Australian Competition Tribunal and jurisdictional Minister 	
	Details role of Australian Energy Market Operator	
	Provides for making National Electricity Rules	
	 Confers powers and responsibilities for safety and security of National Electricity System 	
NT National Electricity Rules	Applies by virtue and National Electricity Law, with modifications by virtue of National Electricity (Northern Territory) Regulations:	See Table 1 above for additional detail.
	Chapter 1 – Introduction	Chapter took effect from 1 July 2016, except for r.1.11
	Chapter 2 – Registered Participants and Registration	Chapter has no effect.
		Flagged to be revisited as part of phased transition.
	Chapter 2A – Regional Structures	Chapter has no effect.
		Flagged to be revisited as part of phased transition.
	Chapter 3 – Market Rules	Chapter has no effect. Current expectation is that an NT-specific instrument will be used instead of Chapter 3.
		Flagged to be revisited as part of phased transition.
	Chapter 4 – Power System Security	Chapter has no effect. Current expectation is that an NT-specific instrument will be used instead of Chapter 4.
		Flagged to be revisited as part of phased transition.
	Chapter 5 – Network Connection, Planning and Expansion	Some rules take effect from 1 July 2019, some are flagged to be revisited as part of phased transition.

Instrument	Nature of instrument	Change in instrument in next regulatory control period
	Chapter 5A – Electricity Connection for Retail Customers	Chapter took effect from 1 July 2017, but with limited application.
		Some rules take effect 1 July 2019.
		Some have no effect until NERL is implemented in NT.
		Some are flagged to be revisited as part of phased transition.
	Chapter 6 – Economic Regulation of Distribution Services	Chapter took effect from 1 July 2016 but progressive changes introduced made from 1 July 2017 and 1 July 2018.
	Chapter 6A – Economic Regulation of Transmission Services	Chapter has no effect.
		Flagged to be revisited as part of phased transition.
	Chapter 6B – Retail Markets	Chapter has no effect.
		Flagged to be revisited as part of phased transition.
	Chapter 7 – Metering	Chapter has no effect.
		Flagged that will take effect at unspecified time in the future.
	Chapter 7A – NT Metering	Chapter will take effect from 1 July 2019.
	Chapter 8 – Administrative Functions	Chapter took effect in part from 1 July 2016 (not Parts B, E, G, H).
		Part H commenced 1 July 2017
	Chapter 9 – Jurisdictional Derogations and Transitional Arrangements	Chapter took effect from 1 July 2016.
	Chapter 10 – Glossary	Chapter took effect from 1 July 2016.
		Changes occur at 1 July 2019
	Chapter 11 – Savings and Transitional Rules	Chapter took effect from 1 July 2016, but has no effect on NT.
	Chapter 11A – NT Savings and Transitional Rules	Chapter will take effect from 1 July 2019.
Other AER Guidelines	Cost Allocation Guideline	Guideline took effect from 1 July 2016, although it was first applied in the Cost Allocation Method that the AER approved in 2017.
	Shared Asset Guideline	Guideline takes effect from 1 July 2019, as there can be no revenue adjustments in the current regulatory control period.
	Confidentiality Guideline	Guideline took effect from 1 July 2016, although it was first applied

Instrument	Nature of instrument	Change in instrument in next regulatory control period
		by Power and Water for the Revenue Proposal submitted to the AER in January 2018.
	Expenditure Forecast Assessment Guideline	Guideline took effect from 1 July 2016, although it will be first applied by the AER in 2018 as part of the AER's assessment of the expenditure forecasts in Power and Water's Regulatory Proposal.
	Rate of Return Guideline	Guideline took effect from 1 July 2016, although it was first applied by Power and Water for the Revenue Proposal submitted to the AER in January 2018.
	Ring-fencing Guideline	Guideline will take effect from 1 July 2019, although its application will be limited by Chapters 6 and 11A of the NT NER.
	Connection Charge Guideline	Guideline took effect from 1 July 2016, although it was first applied by Power and Water for the Revenue Proposal submitted to the AER in January 2018.
	Consumer Engagement Guideline	As above.
AER Models	Post-Tax Revenue Model	As above.
	Roll-Forward Model	As above.
AER Incentive Schemes	Efficiency Benefit Sharing Scheme	Power and Water expects that this scheme will take effect from 1 July 2019.
	Service Target Performance Incentive Scheme	Scheme has no effect.
	Capital Expenditure Sharing Scheme	Scheme takes effect from 1 July 2019.
	Demand Management Incentive Scheme and Demand Management Innovation Allowance Mechanism	Scheme takes effect from 1 July 2019, but awaiting AER finalisation of new arrangements.

4. NT legislative and regulatory instruments

This section overviews the key NT legislative and regulatory instruments that apply in the current, and will apply in the next, regulatory control periods. Where known, it identifies how the instruments may change between the two periods.

Table 3 – NT applicable regulatory instruments

Instrument	Nature of instrument	Status, anticipated changes
Electricity Networks (Third Party Access) Act (including Network Access Code, as a schedule)	 Establishes, amongst other things: Network Access Code Functions and powers of regulator, and confers them on AER Arrangements for economic regulatory determinations Information gathering powers and related matters Transitional arrangements for National Electricity (Northern Territory) (National Uniform Legislation) Act Creates head of power for Network Technical Code 	Will be repealed from 1 July 2019 by National Electricity (Northern Territory) (National Uniform Legislation) Act.
Electricity Networks (Third Party Access) Regulations	Establishes requirements for the regulator to consult on regulatory information orders and performance reports	Made under Electricity Networks (Third Party Access) Act. Will be repealed from 1 July 2019 by National Electricity (Northern Territory) (National Uniform Legislation) Act.
Electricity Reform Act	 Establishes, amongst other things: Functions of Utilities Commission Functions and powers of electricity safety regulator Licensing arrangements Functions and powers of system controller Electricity entities' powers and duties 	Future changes to the NT NER may require support through corresponding changes to this Act.
Electricity Reform (Administration) Regulations	Supports the application of the Electricity Reform Act, including in relation to licensing, electricity pricing orders and vegetation clearance.	Made under Electricity Reform Act.
Electricity Reform	Supports the application of the Electricity Reform Act by establishing	Made under Electricity Reform Act.

Instrument	Nature of instrument	Status, anticipated changes
(Safety and Technical) Regulations	a safety framework that imposes obligations on persons who may affect the electrical safety of other persons.	To the extent that remaining and further changes are made to the NT NER, there may be consequential changes to this instrument.
Network Technical Code	Establishes technical requirements that are designed to ensure the network, and the customer installations and equipment connected to network, may be operated and maintained in a secure manner.	The original authority for the Code came from the Electricity Networks (Third Party Access) Act, but it now comes from the Electricity Reform Act.
		As significant review is anticipated as the Code deals with matters covered in Chapters 5A, 5 and 7A of the NT NER.
		To the extent that remaining changes are made to the NT NER, there may be consequential amendments to this instrument.
Network Planning	Establishes requirements to ensure new loads and generators	Established under Network Technical Code.
Criteria	connected to the network do not compromise the security and reliability of supply to all network users.	To the extent that remaining changes are made to the NT NER, there may be consequential amendments to this instrument.
System Control Technical	Establishes requirements to achieve a secure system, including for:	The authority for the Code comes from the Electricity Reform Act.
Code	scheduling dispatch of generating plant; ancillary services; operating the power system and connected equipment; quality of supply standards for connections; interconnected power systems.	To the extent that remaining changes are made to the NT NER, there may be consequential amendments to this instrument.
Secure System	Establishes principles for determining: whether adequate energy,	Made under System Control Technical Code.
Guidelines	capacity reserves, reactive power reserves, voltage and frequency levels are being maintained; capacity of on-line generating units and transmission facilities; and whether the power system is stable.	To the extent that remaining changes are made to the NT NER, there may be consequential amendments to this instrument.
Network Licence	Grants Power and Water a licence to own and operate an electricity	Issued by the Utilities Commission under the Electricity Reform Act.
	network within a defined geographic area (in) and to connect electricity networks. The regulated electricity network is defined in Schedule 2 in relation to: Darwin; Katherine, the Darwin-Katherine 132kV line; Tennant Creek; and Alice Springs.	To the extent that remaining changes are made to the NT NER, there may be consequential amendments to this instrument.
Utilities Commission Act	Creates an economic regulatory framework for regulated industries. The Utilities Commission has residual powers to regulate Power and Water that are not transferred to the AER.	To the extent that remaining changes are made to the NT NER, there may be consequential amendments to this instrument.
Utilities Commission	Supports the application of the Utilities Commission Act, including in	Made under Utilities Commission Act.
Regulation	relation to making: codes about ring-fencing, retail supply and standards of service; and rules and determinations about ancillary services.	To the extent that remaining changes are made to the NT NER, there may be consequential amendments to this instrument.

Instrument	Nature of instrument	Status, anticipated changes
Electricity Industry Performance Code	 Sets out: Guaranteed service levels performance indicators and payment levels Generation service performance indicators for reporting purposes Network service performance indicators (network services) for reporting and target setting purposes Retail service performance indicators for reporting purpose 	Made under Utilities Commission Act and Utilities Commission Regulations. On 25 October 2017, this code updated, merged and replaced the Electricity Standards of Service Code and Guaranteed Service Level Code. Power and Water notes that this is the only regulatory obligation change made post 1 July 2017 that has been incorporated in the regulatory proposal. Service standard targets for 2019-2024 are yet to be set.
Electricity Retail Supply Code	Establishes arrangements for, amongst other things: credit support; network access agreements; metrology; market data; business-to-business arrangements; customer transfers; and retailer of last resort.	Made under Utilities Commission Act and Utilities Commission Regulations, last updated January 2016. There is currently a review of this Code underway to current implementation issues. Further changes will depend on whether and if so content of future NT NERL and NERR implementation.
Business-to-Business Process Service Order Procedures	Defines the service order process and transaction data requirements for: customer disconnections and reconnections; special meter reads; installing a new meter; and exchange or replace a meter.	Approved under the Electricity Retail Supply Code, which is currently under review to adopt amendments to support increases in retail competition. Review may result in additional market facilitation services to those we currently provide. May be affected by NT NER chapter 7A from 1 July 2019. To the extent that remaining changes are made to the NT NER, there may be corresponding changes to this instrument.
(NT) Electricity Ring- fencing Code	Establishes amongst other things: minimum ring-fencing requirements; compliance procedures and reporting arrangements; and a mechanism for the development and approval of accounting, cost allocation and information procedures.	Made under the Utilities Commission Act. Assume this will be modified when the AER Electricity Distribution Ring-fencing Guideline takes effect from 1 July 2019, though the NT application and modifications to that Guideline are subject to revisiting as part of the phased transition. Also needs to be reviewed post structural separation of Power and Water Corporation.
(NT) Electricity Ring- fencing Guidelines	Establishes minimum ring-fencing requirements in relation to: related party goods and services; related party terms for nominated goods and services; and third-party terms.	Made under (NT) Electricity Ring-fencing Code. Assume this will be modified, or superseded by the AER Electricity Distribution Ring-fencing Guideline from 1 July 2019, though the NT application and modifications to that Guideline are subject to revisiting as part of the phased transition

Instrument	Nature of instrument	Status, anticipated changes
Energy Loss Factors Code	Establishes principles and procedures for establishing and applying energy loss factors and for monitoring and enforcing compliance with these procedures.	Made under Utilities Commission Act. Requires updating to facilitate wholesale market development. To the extent that remaining changes are made to the NT NER, there may be corresponding changes to this instrument.