

# Draft Plan – Feedback Summary Report

2024-2029

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# Overview

Stakeholder engagement is a critical and ongoing element of Power and Water's preparation for the Australian Energy Regulator (AER) 2024-29 determination period. We have engaged with stakeholders throughout our 2024-29 engagement program to hear stakeholder voices and gather feedback on our proposed plans for the next five years. In August 2022, we released our Draft Plan which set out these plans and our preliminary forecasts for the 2024-29 regulatory period. The purpose of this document is to capture feedback from our customers and broader stakeholders before submitting our Regulatory Proposal to the AER in January 2023.

Engagement on our Draft Plan is one component of the overall process, which will continue with key stakeholders prior to and following submission of our Regulatory Proposal.

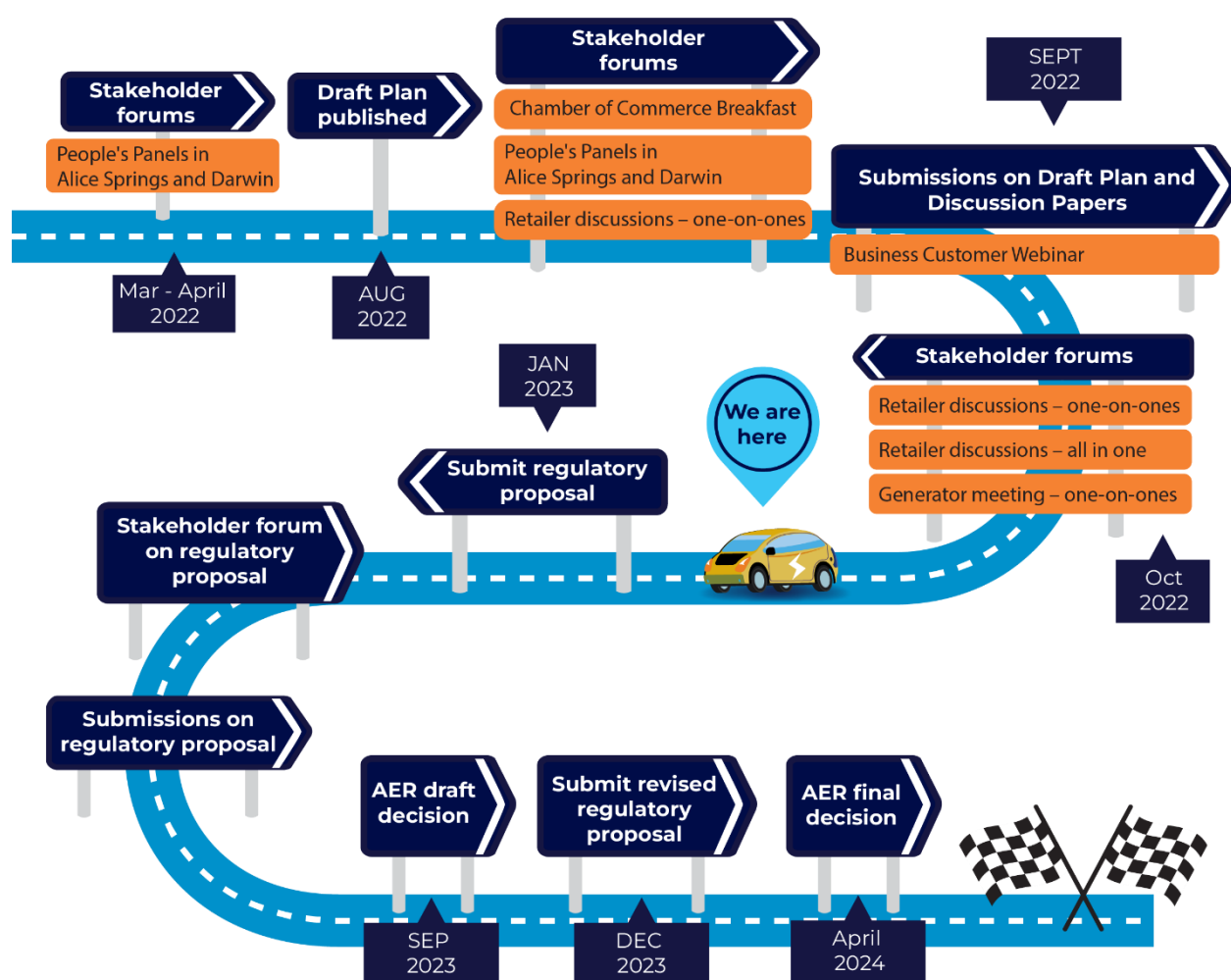


Figure 1: Process of stakeholder engagement for the Draft Plan

This document outlines the stakeholder consultation process undertaken on the Draft Plan, the feedback themes and the forward plan reflecting our business response to this feedback into our Regulatory Proposal.

# 1 Engagement process

The following section describes the engagement process for our Draft Plan prior to and following its publication in August 2022.

A range of stakeholder groups, including residential and business customers, retailers and generators, government and local councils were engaged through various channels such as People's Panels, retailer one-on-one meetings, major customer and small-to-medium business customer discussion papers and webinars.

Most engagement sessions were supported by an engagement pack and typically focused on:

- Providing an overview of the Draft Plan
- Testing our customer preferences and priorities in the context of our preliminary plans and forecasts
- Key expenditure drivers, future network needs and capabilities
- Potential levers for reducing expenditure and the trade-offs in seeking to balance short-term affordability and long-term sustainability
- Outlining proposed changes to tariff structures and pricing mechanisms, including the introduction of time-of-use tariffs and shifting export tariffs to trials and rebates.

Engagement on the Draft Plan across the different stakeholder groups included:

- **Residential customers:** Full-day People's Panel sessions in Alice Springs and Darwin in August 2022. This built upon the participant knowledge and feedback from the four forums held with residential customers in November 2021 and March and April 2022.  
A summary of the People's Panels outcomes is included in the [People's Panel Summary Report 2021](#), [People's Panel Report Summary Report 2022](#) and [August People's Panels – panel decisions and outcomes report](#).
- **Business customers:** A three-hour webinar with our major (>750MWhs per annum) and small-to-medium (<750MWhs per annum) business customers in September 2022. The webinar followed the Business Customer Forum hosted by the Chamber of Commerce NT in August 2022 which focused on providing an overview of the Draft Plan.  
This engagement was supplemented by the release of two Discussion Papers for consultation - a [Large Customers](#) and [Small to Medium Customers](#) Discussion Paper - targeted to each business customer segment and providing additional detail to support the Draft Plan. This session also sought input on two key elements we consider particularly relevant to business customers: business customers' preferences on Power and Water's draft revenue and expenditure and proposed changes to our tariff structures impacting business customers.
- **Retailers:** Two-hour one-on-one engagement sessions were held with retailers Jacana Energy and Rimfire Energy immediately following the release of the Draft Plan in August 2022. Engagement sessions were also offered to retailers Next Business Energy and QEnergy. Secondary meetings were held in October 2022 with Rimfire Energy and Jacana Energy to discuss changes to tariffs and structures since the Draft Plan, to test retailer perception of the changes in pricing and to inform retailers on the engagement sessions conducted with other stakeholders.
- **Generators:** Engagement with generators has been limited due to the prioritisation of engagement with our customers. Territory Generation provided a thorough submission seeking further engagement and discussion about the contingent projects and other key concepts included in Power and Water's Draft Plan. A formal engagement session with Territory Generation took place in November to discuss the feedback received on our contingent projects and how we can work collaboratively to meet the objectives of the future network. Further engagement is planned in early

2023 with the opportunity for various energy supply partners to identify and explore industry thinking on non-network solutions and their suitability for addressing different types of network issues and constraints.

- **Northern Territory Government departments:** Discussions with the Department of Industry, Tourism and Trade (DITT) and the Department of Treasury and Finance (DTF) were held in October and November 2022. The purpose of these discussions was to provide an update on the themes discussed in the Draft Plan, including meter replacement, future network investments and changes in tariff structures. Power and Water also discussed what we have heard through the process of engagement, including feedback on our Draft Plan.
- **Youth in the Northern Territory:** A Youth Round Table in March 2022 and a two-hour school forum in May 2022 was held to understand the youth perspective on energy in the Northern Territory and provide a high-level overview of investments in future technologies which would be incorporated in the Draft Plan.
- **Local councils and multi-agency groups:** In August 2022, meetings were held in Alice Springs, Tennant Creek, Darwin and Katherine with town councils, government departments and multi-agency groups to provide an overview of the Draft Plan and how it impacts various communities. Stakeholders were encouraged to submit formal submissions to ensure their feedback was captured.
- **Reset Advisory Committee:** Regular meetings were held with a group of customer and industry representatives before and during development of the Draft Plan to review and provide input to expenditure plans and stakeholder engagement. Due to the inability to achieve a quorum, the Reset Advisory Committee was not convened following release of the Draft Plan. However, members were fully engaged on the contents before the release and will be re-engaged for a final meeting in December 2022.

Engagement sessions with unions, smaller generators and regular meetings with the AER are also being scheduled as part of our ongoing process of engagement.

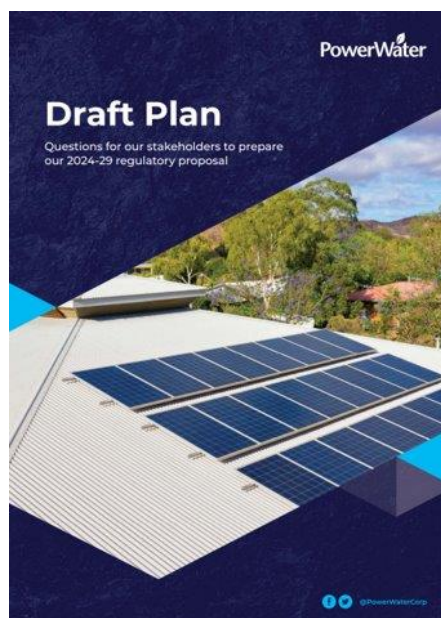


Figure 2: Power and Water Draft Plan for the 2024-2029 Regulatory Proposal

## 2 Engagement Feedback

Feedback has been captured via written submissions through Power and Water's 'Your Say' website and verbally in forums, meetings and webinars.

### 2.1 People's Panels

During the March and April People's Panels in 2022, customers provided their feedback and preferences on the projects and plans for Power and Water to pursue in the 2024-29 regulatory period. Feedback was sought across the areas of investment in the future network, addressing the challenges of asset replacement and improving customer service. These issues were discussed in relation to customer views on the trade-offs between short-term affordability and long-term sustainability, with customers emphasising the importance of supporting low-income and remote households through Power and Water's Regulatory Proposal.

A summary of outcomes from the March and April People's Panels can be accessed on our [website](#).

These views were reiterated at the August People's Panels, where customers supported Power and Water pursuing pilots and new solutions to respond to emerging challenges, planning for the future without disadvantaging those using the network today and supporting customers to change their behaviours to meet the needs and realities of the future networks.

The People's Panels:

- thought that Power and Water should largely keep on path with its expenditure plans
- believed more needed to be done by Power and Water and the Northern Territory Government in the energy efficiency space
- supported time-of-use pricing, noting that the Darwin Panel was more supportive of this than the Alice Springs Panel where support was subject to providing appropriate safety nets to protect vulnerable customers
- supported the concept of export tariffs but emphasised that pricing policies should not disadvantage low-income households or household uptake of renewable solutions.

A summary of key outcomes from the August People's Panel's Report is included in the [August People's Panels – panel decisions and outcomes report](#).



Figure 3: Participants at the Darwin (left) and Alice Springs (right) August 2022 People's Panels

## 2.2 Other stakeholder groups

Feedback on the Draft Plan from other stakeholder groups (including business customers, Territory Generation, Rimfire Energy, Jacana Energy, local councils and groups and the Northern Territory Council of Social Services) can largely be categorised into the following themes:

- Engagement with stakeholders
- Facilitation of renewable technologies
- Improving customer outcomes, particularly for low-income households
- Tariffs, including export tariffs, time-of-use tariffs and demand windows
- Metering.

An overview of the specific feedback items received under each chapter of the Draft Plan and how Power and Water plans to respond is provided in the Appendix.

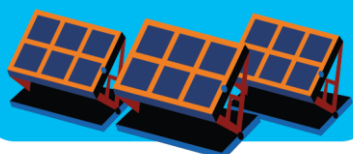
### Engagement with stakeholders



#### ***Engagement with stakeholders***

A strong message from stakeholder groups was the importance of partnering with other industry participants and the Northern Territory Government to address customer pain points, ensure customer energy literacy and engage on an ongoing basis with stakeholders on the enablement of renewables and tariff incentives. Retailers were interested in being more actively engaged in assisting with the rollout of technologies and network upgrades and business customers expressed interest in partnering on asset and technology investment.

### Facilitation of renewable technologies



#### ***Facilitation of renewable technologies***

Support for Power and Water's role in enabling and supporting renewable uptake and large-scale renewable solutions, which could provide greater community benefit, was tempered by feedback that the Northern Territory's energy transition will need to be supported by the attraction of skills, resources and technology. A strong message from business customers was that reliability of supply is paramount and a key consideration when considering support for renewables. One of the local councils also expressed interest in understanding the revenue impact from increasing solar connections.

### Improving customer outcomes, particularly for low-income households

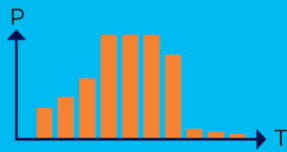


#### ***Improving customer outcomes, particularly for low-income households***

All stakeholder groups expressed that low-income customers should not be left out of positive change. This was viewed as particularly relevant to plans regarding pricing, uptake of renewable technologies and initiatives to improve customer outcomes. Councils queried partnering with Power and Water to make power cheaper for their customers and were encouraged to submit their suggestions into the website.



### Tariffs



### *Tariffs*

The pursuit of export and time-of-use tariff initiatives (tariffs or trials) was supported by some stakeholders, contingent on the Northern Territory Government amending the Electricity Pricing Order to support visibility of signals and incentives. The restructure of tariffs was generally supported by retailers and business customers who would be most impacted by these changes, noting customers consuming <750MWhs per annum are not exposed to network tariff signals by virtue of the Northern Territory Government's Electricity Pricing Order. One retailer also supported flat rate tariffs.

### Metering



### *Metering*

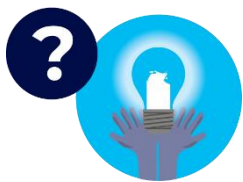
Retailers and Generators supported an accelerated pace of replacement of meters with smart meters, noting that Jacana Energy's support was qualified by the need for more retailer engagement prior to a decision being made and during the replacement process, and the demonstration of customer benefit. Rimfire Energy also noted the barriers to competition that exist because of meter charges and the impact of these charges for customer acquisition costs. Feedback was received about developing a register or notification process for when customers are upgraded to ensure retailers are involved in the replacement of meters and are aware of upgrades. Another suggestion proposed by retailers was providing a brochure to customers when upgrading to a smart meter, including information on all active retailers and informing customers of their ability to choose.



## 3 Appendix: Draft Plan – what we heard and our response

Our Draft Plan has two Parts: Part A – Context and Strategy and Part B – Our five-year plans. Part A provides the context behind investment in the 2024 - 29 regulatory period and our strategic priorities enabled by this investment, while Part B outlines five core components of our five-year plans. At the conclusion of each chapter, we included a set of questions to elicit stakeholder feedback on the topic and our proposed plans.

### 3.1 Powering the NT



The first chapter in Power and Water's Draft Plan, *'Powering the NT'*, focuses on our role in the Northern Territory regulated electricity systems, the customer lifecycle and activities, our costs and ensuring affordability of electricity to our customers. We asked stakeholders the following questions:

How can we improve affordability for low-income residential customers?

Is our role in the electricity chain in the Northern Territory clear and what can we do to improve our communication?

What can Power and Water do better in terms of providing information or service quality?

#### What we heard



##### **Affordability for low-income residential customers**

Affordability was a key theme in stakeholder feedback, both in response to the Draft Plan and throughout the engagement program to date. The clear message across several engagement sessions is low-income customers should not be left out of positive change, particularly where they are unable to change behaviours to take advantage of time-of-use tariffs or where they may face cost prohibitive barriers to the adoption of renewable technologies and solutions.

Exploration of demand management initiatives was called out in a submission by one of the Northern Territory Generators as a potential means of providing low-income customers with support to enable the uptake of renewable technologies and to improve network utilisation. Demand management initiatives targeted at low-income customers could allow this customer group to take advantage of time-of-use network tariffs and manage their resources and constraints.

Feedback from residential customers, retailers and other stakeholders also emphasised Power and Water's potential role in enabling solar connections for low-income customers, with some submissions providing specific initiatives for Power and Water to consider, including:

- Enabling solar for prepaid meter customers
- Higher solar buy back tariffs
- Greater incentives for solar installation, such as adding to the government rebate.

### How we responded

We will continue to partner with energy providers and other stakeholders, particularly retailers, to improve the accessibility and affordability of renewable technologies.

We are currently developing a customer experience strategy which will look at our customers' journey and set out a roadmap for improvement. An important focus of the strategy will be low-income customers and how they interact with us and our services. The strategy will cover the digital experience and will include a project to improve the functionality of our website and smartphone app, making it easier for customers to find information on outages and energy efficiency.

We have also included costs in our forward plans to upgrade customer meter panels that contain asbestos. This benefits low-income customers as they are more likely to live in older, unrenovated homes containing asbestos panels.

Trials are underway in the unregulated space on rooftop solar PV on public housing with prepaid meters. We will continue to review the feasibility of this solar initiative for prepaid customers by working with NT Government stakeholders.



### Educating, informing and communicating with customers

Residential customers were outspoken on the importance of greater investment in educating customers on the roles and responsibilities of participants across the electricity supply chain in the Northern Territory, including making it easier for customers to understand who to contact about specific issues and how the networks operate. Many residential and business customers are still unclear about the difference in the role of Power and Water compared to retailers in the electricity market, with many still believing Power and Water issues bills directly to customers.

In their submission, retailers recognised that education and communication on role clarity was a shared responsibility between the network operator and retailer. It was suggested that network operators and retailers work more closely on how they can address customer pain points. Territory Generation also showed support for continued education of customers and other stakeholders on roles and responsibilities within the electricity market.

During the People's Panels and in submissions to the Draft Plan, several stakeholder groups indicated they want ongoing engagement with Power and Water on our proposed plans and activities. There was broad support for Power and Water to partner with retailers, where appropriate, to address customer pain points, working together to disseminate clear and consistent information through a co-ordinated or combined approach. In relation to the communication channels that should be used, views were varied on

whether increased information regarding outages or critical events should be communicated through the website or greater use of social media.

A submission through the Your Say website suggested the availability of more granular or higher resolution data, such as time-of-use metering information, would aid customers and market participants to make more informed decisions and support improved customer outcomes.

### How we responded

Our customer service team is undertaking a training refresh which will include how we engage with customers over the phone and share information about our role, responsibilities and network operations. We are also investigating upgrades to our website to provide greater accessibility and visibility of content relating to energy affordability and outage notification, in addition to the ongoing use of social media to disseminate information.

During our People's Panels, we saw interest for Power and Water to improve customer service capabilities through new systems and processes. As a part of a renewed customer experience strategy, we will be investigating how we can better capture the 'Voice of Customer' to help inform our ongoing investments in customer facing and back-end services. With greater customer data, coupled with more regular direct input from customers, we can better align our services with customers' expectations, helping make sure they get the solutions they need.



### Energy efficiency standards

Customers and other electricity stakeholders understand that the energy efficiency standards of appliances and buildings can have a significant impact on household energy consumption, particularly low-income households and renters. Several stakeholder groups suggested that Power and Water should work with the Northern Territory Government and landlords to develop smarter building practices and/or upgrade the thermal efficiency of homes to reduce electricity consumption. This was echoed in the People's Panels where many participants suggested we pursue opportunities to partner with Government departments and other market players to enhance energy efficiency standards and initiatives. The People's Panels also supported Power and Water implementing its own initiatives, such as subsidies, to support the installation of energy efficient appliances.

### How we responded

We are investigating partnership and advocacy opportunities for energy efficiency programs, particularly for vulnerable customers, noting that improved energy efficiency standards for appliances and infrastructure will require collaboration across a wide range of Northern Territory stakeholders. We will also continue to monitor how other electricity network businesses in Australia are seeking to contribute to this issue and associated programs.

## 3.2 Customer Voice



The second chapter in Power and Water's Draft Plan, '*Customer voice*', outlines the forms of engagement conducted and themes discussed in engagement sessions, our customers' vision for the future of Power and Water and the customer preferences and pain points identified through our People's Panels. We asked stakeholders the following questions:

Is our engagement approach capturing all voices of the Northern Territory?

Have we been providing the right information for our audience?

Have we missed any crucial feedback?

What concerns do you have on how we implemented customers' preferences?

### What we heard



#### Our engagement approach

Stakeholders expressed general satisfaction with the level of engagement undertaken to capture the different voices and perspectives across the Northern Territory and inform the forecast expenditure plans outlined in our Draft Plan. Territory Generation expressed a desire to contribute to Power and Water's future stakeholder engagement as an 'energy partner' to identify opportunities to improve overall customer outcomes. During engagement sessions with our customers, there was strong interest for representation from retailers at future forums to provide customers with an opportunity to ask retailers questions, understand how network operators and retailers work together to implement change and ensure clear and consistent information is presented when discussing issues and interdependencies.

Territory Generation broadly supported the Draft Plan and the stakeholder engagement undertaken by Power and Water. They requested further engagement to discuss specific issues raised in its submission as well as to how to work collaboratively with Power and Water in implementing initiatives in the next regulatory period. Retailers similarly requested further engagement on specific initiatives.

During engagement with customers at the August 2022 People's Panels and with Tennant Creek stakeholders on the Draft Plan, there was feedback that the views of Alice Springs customers should not be considered the views of Tennant Creek customers. It was recommended that further engagement with Tennant Creek customers should be performed face-to-face, rather than through online or other platforms of engagement. Similarly, Katherine stakeholders also expressed feedback that the views of Darwin customers should be not considered the views of Katherine customers.

## How we responded

Power and Water appreciates the time and effort stakeholders have taken to provide feedback on our Draft Plan and engage with us to inform the development of our plans for the 2024-29 regulatory period.

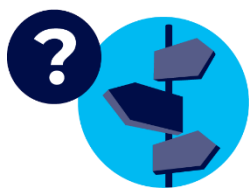
We have undertaken additional engagement with Territory Generation to discuss its submission in more detail and to understand how we can seek to reflect this feedback in our expenditure plans. We are also looking to establish regular forums with retailers and generators to continue the process of engaging on opportunities, risks and issues. We will continue to facilitate these conversations both before and following submission of our Regulatory Proposal and investigate opportunities to embed these forums within our business-as-usual activities.

Our Reset Advisory Committee (RAC) was an engagement channel used to ensure the voices of the Northern Territory were listened to and captured. The engagement process with the RAC has been extremely informative for us and the stakeholders who participated. However, it has not been without its challenges. Customer engagement has required a substantial cultural shift for our business, as well as for customers themselves. Our customer base is dispersed over a large area, including across three separate regulated networks, and the appetite for engaging on energy issues – while growing – is less profuse than in other jurisdictions.

We are extremely grateful to our RAC members and everyone who has participated in our engagement so far. As part of our strategy to uplift our systems and people, we are exploring ways to embed a more sustainable engagement model for our business to keep the conversations ongoing.

We also recognise we service three distinct networks with different needs and are focused on ensuring our ongoing engagement and Regulatory Proposal reflects this, including through direct engagement with Tennant Creek stakeholders.

### 3.3 Strategic priorities



The third chapter in Power and Water's Draft Plan, '*Strategic priorities*', outlines the local and global factors impacting our five-year plans and the strategic priorities to facilitate these plans. We asked stakeholders the following questions:

Are there any material global or local factors we have omitted in our analysis of change factors?

Are there any concerns with our strategic priorities, or has anything been missed in our assessment?

Do customers consider that our five-year expenditure plans align with our 20-year strategic priorities?

#### What we heard



##### **Factors impacting Power and Water's forecasts**

Our stakeholders recognised that the small power system(s) scale and remote geography of the Northern Territory significantly impact the technical and physical needs of the system, including the ability to be self-sufficient for all system services in multiple regions, which can cause issues for customer reliability and network performance.

Stakeholders also recognised our geographic considerations, and the unique characteristics of our electricity systems, impact the ability to attract, retain and train a workforce with the capability and capacity to meet existing and emerging power system needs efficiently and effectively.

During our People's Panels in August, we explained that external global factors have significantly impacted our forecasts from the prior Panels in April and March. After discussing how we best respond to global and local impacts on our future plans, customers stated that Power and Water should respond by "Adapting to the global situation, being self-sufficient and proactive in investment".

## How we responded

We recognise that our forecasts have increased since release of our Draft Plan because of a combination of global factors and changes to the proposed investment in programs and technologies which support the long-term sustainability of the Northern Territory network and customer outcomes. We have:

- Changed our investment focus from an emphasis on network asset replacement, to a greater investment in our ICT systems, processes and our people. This will include improving our asset management capabilities to manage our ageing network and drive standardisation of our processes through a common operating model.
- We are upgrading our asset management system and improving the quality of our asset data. This data will support better-informed decisions on asset condition, expected life, and the optimal time for replacement. As a result, we can extend asset lives based on application of our new risk framework – where safe to do so – and defer costly asset replacement programs, pursue alternative options to traditional network solutions and optimise our investment as our networks develop to connect more renewable energy sources.
- Updated our forecasts to reflect material changes in economic conditions since the Draft Plan was developed, which have driven up financing costs for all businesses and sharpened the focus on keeping costs down during the next regulatory period.

We continue to challenge our forecasts to ensure the optimal timing and efficiency of the selected solutions. For example:

- We have refreshed our demand forecast based on the latest information and project timing assumptions. This work has identified several spot loads, that were expected to connect in the next five years, are likely to be pushed back. This will allow us to defer some of our network augmentation expenditure. We will continue to monitor and revise our demand forecasts during the next regulatory period and will only undertake augmentation works where the timing of the new loads is more certain.
- In Alice Springs, we have included a lower cost solution to alleviate corrosion issues on our steel power poles. Rather than replace the entire pole, we have developed a new method where the base of the pole is replaced (known as rebutting). Changing from replacement to rebutting results in a much lower cost of addressing each corroded pole.



### 3.4 Capital and Operating expenditure and Revenue



The fourth, fifth and sixth chapter in Power and Water's Draft Plan - '*Capital expenditure*', '*Operating expenditure*' and '*Revenue*' - present our forecast of capital and operating expenditure and revenue by category, drivers of change in expenditure and revenue, potential trends and step changes. We asked stakeholders the following questions:

Have we adequately implemented customers' priorities on future network and addressing the replacement wall?

Are there specific aspects of our proposed capital expenditure that you support, disagree with, or want more information about?

Do customers have any concerns with proposed changes to our connection charges?

Do customers support our efficiency adjustments and consider they are appropriate stretch targets?

Do customers have concerns or questions on the step changes to implement customer priorities on the future network and customer service?

Do you consider the customer preferences should be re-visited in light of the higher than anticipated forecast revenue?

Do customers consider that short term affordability should be prioritised over long-term sustainability?

#### What we heard



##### Facilitation of renewable technologies

Stakeholders expressed support for Power and Water playing a role in the enabling of renewable technologies in the Northern Territory, noting that investment in technologies that ensured reliability of supply was paramount. This was reinforced by business customers who participated in our business customer webinar on the Draft Plan in September 2022. It was important to this stakeholder group that we consider how to deliver or support renewable technologies cost-effectively, while continuing to meet existing reliability standards. Similarly, the People's Panels adopted a risk averse approach in their feedback and were of the view that renewable technologies should be implemented with consideration of pilots, trials and maturing technologies.

Although many stakeholders expressed strong support for our plans for enabling renewables, feedback was also received that there is opportunity to expand or accelerate strategic priorities to meet customer and stakeholder preferences for renewable technologies. It was asserted that investments in community batteries need to genuinely incentivise retailers and customers, while also delivering network benefits. Feedback from retailers was that previous models of use of community batteries in other jurisdictions

resulted in little benefit to retailers and/or consumers and that most of the benefit was retained by network operators.

We received feedback from one of the Northern Territory generators that discussions with customers on renewable technologies has mostly been focused on small-scale renewables which, while important as customers will likely participate directly in the adoption or support of these technologies, may not be the best plan for future networks. It was suggested that implementation of customer preferences with a significant focus on small-scale renewables may not be the most desirable and efficient path to achieve the strategic and customer priorities within the Draft Plan.

Stakeholders generally believed that the system enablement of renewables will require more than just adding small scale solar systems, but also require support from large scale technologies such as solar farms and battery energy storage. It was suggested that investment in these assets, synchronous condensers and future hydrogen generators should occur now, rather than be considered 'contingent projects'.

Some stakeholders expressed concern about our proposed operating expenditure appearing lower than expectations, explaining that it appears to not consider the potential increase in operating expenditure as technologies and programs mature to a sufficient scale where more benefits may be realised. There was concern that Power and Water may not have planned sufficient investment in skills, resources and technology focused on the renewables transition across the next determination period.

## How we responded

In response to stakeholders concerns regarding our focus on small-scale renewable assets, we maintain that there is a place for both large and small scale solar in the energy system and that solar at a local level may assist with future planning of the networks (including meeting load when there are outages upstream).

Business case analysis found that a Dynamic Operating Envelope (DOE) solution would help us manage imminent security issues at times of minimum demand, while maximising low cost solar on the energy system. Minimum demand is where large amounts of excess electricity are exported into the network, primarily in an uncontrolled way, displacing the existing thermal generation. We propose to incrementally rollout the DOE solution in the 2024-29 regulatory period rather than pursuing the wholesale operation of DOEs.

Additionally, we have included a new contingent project related to alleviating transmission constraints for existing large-scale generators. This includes emphasis on procuring services, rather than investing in new assets, and would be subject to a regulatory investment test process.

We will also investigate greater use of trials for new technologies and tariffs. For example, we will investigate the feasibility of battery storage and intend to use the allowances under the Demand Management Innovation Allowance (DMIA) regulatory incentive to research, trial and study community batteries on parts of our networks. Data from the studies will help inform our investment programs in the future.

We will continue discussions with our energy partners on how we can pursue low-cost solutions that ensure reliability and affordability of renewables for our customers, optimising outcomes across the Northern Territory.



### Short-term affordability versus long-term sustainability

Trade-offs between short-term affordability and long-term sustainability of electricity supply in the future networks were key considerations in the development of our plans, forecasts and when testing new technologies and solutions with customers.

Stakeholders supported Power and Water seeking lower cost solutions that meet and improve customer outcomes and increases in renewable technology investments to reduce electricity costs. Feedback from our People's Panels was that we should pursue solutions which ensure the long-term reliability of the networks without disadvantaging those using the networks today. For example, ensuring that the pricing impacts of capital expenditure associated with constructing and enabling renewable technologies do not disadvantage low-income customers.

### How we responded

We continue to update and publish our Transmission and Distribution Annual Planning Report (TDAPR) each year. The TDAPR provides stakeholders with early visibility on key planning challenges and our thinking on solutions.

All our projects are subject to option assessments, in accordance with our governance and planning processes, to ensure that the option is prudent and efficient. For new major projects that trigger a Regulatory Investment Test in accordance with the NT National Electricity Rules, we are also required to invite feedback on non-network alternatives.

We will continue to work with our energy partners to provide further transparency associated with the inputs in our revenue forecasts.

## 3.5 Metering services



The seventh chapter in Power and Water's Draft Plan, '*Metering services*', outlines our expected metering capital and operating expenditure, proposed replacement of meters with smart meters and impacts on customers. We asked stakeholders the following question:

Do customers consider we have the right pace of smart meter rollouts?

### What we heard



#### Smart meter replacement

Energy partners want a smart meter replacement program which aims to have residential customers transitioned on the same timeline. Retailers also requested transparency on the prioritisation of smart meters and opportunities for partnerships with Power and Water to install smart meters. One submission suggested that Power and Water should access unutilised capacity of retailers and/or appropriately licenced electrical contractors and issue smart meters for free to licenced electrical contractors to increase the pace of the program.

Submissions by retailers also suggested a faster track replacement program for residential customers could be achieved if retailers are engaged and customers benefit from the change in metering technology. Generators also showed support for the proposed pace of replacement.

We did not explicitly consult with customers through the major customer forum or the People's Panels about the smart meter replacement process.

## How we responded

We recently commenced installing smart meters at customers' premises and will continue the program over the course of the next two regulatory periods. We will be ramping up the program over the second half of the current regulatory period (2019-24) to reach a sustainable rate of approximately 23,000 smart meters per five-year period.

By the start of the next regulatory period, in July 2024, around half of our customers will already have a smart meter installed. Our plan for the remaining, approximately 46,000, non-smart meters is to replace approximately half of them during the 2024-29 regulatory period, with the remainder completed in the following regulatory period. By 2034, we will have moved our entire customer base to smart meters. This will provide greater opportunity for efficient tariff setting, improving network utilisation and unlocking the benefits of distributed energy resources.

We have considered both faster and slower replacement rates and determined the pace of replacement in our plans provided the best outcome for customers and the Northern Territory. Experience in the NEM shows the most efficient meter replacement programs are managed geographically, house by house, street by street. Therefore, Power and Water is managing our replacement program on this basis. We also note that the free issuing of meters to licenced electrical contractors would place Power and Water at a significant revenue assurance and inventory management risk and is not something we are considering at this time.

## 3.6 Tariffs for a new age



The final chapter in Power and Water's Draft Plan, *'Tariffs for a new age'*, presents information about the process to set network tariffs, our current and proposed network tariff structures and reasons for tariff reform. We asked stakeholders the following questions:

To what extent should tariffs reflect the costs different customers impose on the network?

Are there specific aspects of our proposed tariff structure that you support, oppose or want more information about?

### What we heard



#### Pricing signals

Stakeholders recognise that pricing can play a major role in changing customer demand to reduce network stress during high demand periods of the day and in supporting the curtailment of uncontrollable exports of renewable electricity.

Stakeholders queried the practical impact of changes to network tariffs on incentives and behaviours as residential and small business customers do not have visibility of network tariffs due to the operation of the Electricity Pricing Order in the Northern Territory. The potential for increases in retailer costs and/or the community service obligation paid to retailers by the Northern Territory Government was also raised. The recommendation from many stakeholders was to consult with the Northern Territory Government to gauge support for amending retail tariffs to provide pricing signals.

#### How we responded

We have proposed an export tariff and rebate trial for customers who export over a threshold amount and have created further classes of tariffs to support retailer competition and encourage larger energy users into the Northern Territory.

While Power and Water sets network tariffs in accordance with the national framework, as reflected in the NT National Electricity Rules, retail tariff reform in the Northern Territory must be done in conjunction with the Northern Territory Government and retailers. We will continue to work with our energy partners and the Northern Territory Government on options to improve the delivery of pricing signals and support increased retailer competition.





## Tariff structures

Our Draft Plan proposed changes to tariff structures to encourage customers to shift consumption and control of solar exports.

Business customers were largely supportive of the separation of low voltage smart meter tariff classes into customers consuming thresholds consistent with the thresholds applied by other network businesses. Some business customers expressed concern about the seasonal measure used to determine whether a large energy user is captured in the super user tariff class and identified that larger energy users can often have significant changes in consumption between seasons.

Stakeholders indicated that structural changes to network tariffs should be included in a broader tariff reform conversation and that there should be consideration of how other networks have segmented tariff structures. It was suggested that the introduction of cost-reflective tariffs on different customer segments are first considered by and discussed between the regulator, network operators and Government. Concern about the complexities introduced by time-of-day and seasonally varying energy charges for customers with an accumulation meter were also raised as many will continue with the current flat rate tariff and would benefit from consistency across seasons.

### How we responded

Taking customer and retailer feedback into consideration, we propose several incremental changes to our suite of network tariffs. We propose to:

- Increase customer segmentation to distinguish between residential and business customers and better align with retail competition thresholds.
- Introduce a new 'Super User' customer segment for major industrials consuming more than 10,000 MWh per annum.
- Introduce new time-of-use charging periods and rates for smart meter customers.
- Remove peak demand charging (kVA charge) for small use customers (consuming <750 MWh p.a.).
- Narrow the peak demand charging window for those customers with a demand charge.
- Trial two new export tariffs and rebates to help manage solar PV export levels.

Discussion on how we plan to apply these network tariffs will continue with our various energy partners and Government. We will also work with retailers on how these changes should be communicated to customers.



## Peak demand levels and charges

During our small-medium and major business webinar, we heard feedback from several larger energy users that there may be interest in partnering with Power and Water to alleviate network stress related to peak demand. It was suggested this could include business customers partnering with Power and Water to buy and build assets such as batteries or solar. It was noted that many businesses are looking to minimise their risk profile as they transition to a renewable energy future and an opportunity to collaborate on the development of assets with Power and Water could reduce the grid load, risk and cost for both business customers and Power and Water.

Some large business customers expressed concern regarding the proposal to adjust the peak period from an annual to a seasonal approach, noting they have an inability to change their behaviour on a seasonal basis. Retailers expressed a similar view that an annual approach may be better for large businesses, given the potential cash flow pressures placed upon larger customers as the demand charge could be a large component of their electricity bill. It was noted that this may also impact the attraction of larger users to the Northern Territory and that the seasonal option may be preferable for those businesses consuming less than 750 MWh.

The Electric Vehicle Council provided support for customers consuming less than 100 MWh to only be charged based on consumption, noting that this would support organisations planning to deploy high power public electric vehicle infrastructure.

### How we responded

We will work with large business customers and other stakeholders to develop plans to address network maximum and minimum demand issues. This will involve amending our internal processes and may include business customers as stakeholders notified of curtailment plans.



## Export tariffs

When the application of export charges was tested with customers at the People's Panels, many participants expressed support for it to be applied in accordance with the Darwin-Katherine Electricity System's peak demand window, and when exports were highest, between 10am – 2pm. However, there was concern it could disincentivise solar uptake and be interpreted as penalising solar energy production which would be detrimental to our strategic priorities. To ensure it is not too punitive and instead encourages changes of behaviour, it was suggested by panellists that it should be set between 10 - 50 per cent of the feed in tariff. Alternatively, customers recommended considering the pursuit of other initiatives to better manage solar production, such as incentives to join up to Dynamic Operating Envelopes or replace older systems.

There was general support from business customers, however they believed that introduction of tariffs to curtail renewable energy production should be co-designed with retailers who can support and assume some of the responsibilities to apply an export tariff and rebate.

Retailers had a conflicting view and opposed the introduction of export tariffs, noting that small customers do not see their network charges under the Electricity Pricing Order and that this would only increase retailer and Government costs. Proposed suggestions by retailers for alternatives included demand side

management programs, incentivising the uptake of batteries, and tariffs that incentivise the use of rooftop solar at appropriate times.

### How we responded

Rather than introducing an export tariff to apply in the next regulatory period, Power and Water will pursue an export tariff trial to be designed and applied in collaboration with stakeholders including retailers.

## Contact

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