Power Networks

Overview of our five-year plan

PowerWater

A message from our Chief Executive

Electricity is essential to every household and business in the Northern Territory. We have a critical role to play in supplying electricity efficiently, safely and reliably to all Territorians through our networks.

This is a time of unprecedented change, as we and our customers embrace new technologies and information to supply and use electricity smarter and more accessibly. We are ready, willing and able to play our part in realising this change and in meeting our customers' expectations.

Our customers want value for money and to be part of a smart future. We have engaged widely with our customers throughout 2017 and their messages are clear. They want: efficient, safe, reliable and responsive services; prices that are as low as possible and that reflect the cost of using our network; and investment in technology that provides better access to information.

Our regulatory proposal is our five-year plan for responding to this change and meeting our customers' needs as efficiently as we can.

Under our plan, we will reduce the network component of our average residential customers' bills by $16 each year, or $82 a year for a large household. We will use the revenue we earn to invest in and operate our network to maintain our current overall average reliability levels, and improve the service outcomes for customers who currently have below standard service. We will also improve our systems so that we provide better service and information to our customers, and every meter we install will have smart capabilities.

There is a lot we need to do within our organisation to make this happen. Our staff and service providers are fully committed to this challenge so that we contribute positively to the Territory's economy and provide long-term benefits to our customers.

I would like to thank all our stakeholders and Customer Advisory Council representatives for their input and constructive feedback in developing our plan. We look forward to continuing to work with them, and the Australian Energy Regulator over the coming 18 months as we finalise our plan and, beyond that, as we deliver it.

Michael Thomson
Chief Executive

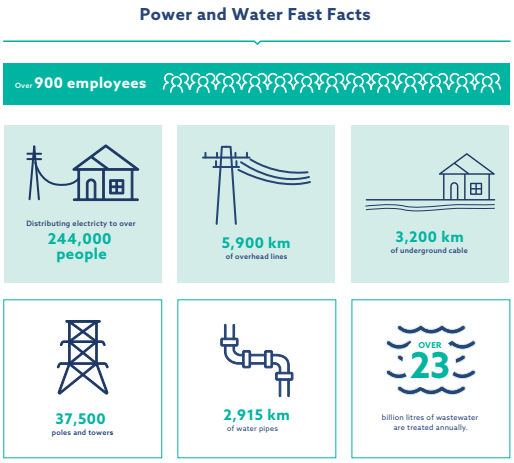
Contents

1 Power and Water's power networks business

1.1 Who we are and what we do

Power and Water Corporation (Power and Water) provides electricity distribution, gas supply, water and sewerage services to customers across the Northern Territory (NT), as well as providing electricity generation and retail services to some minor and remote centres. We are proud to be owned by the NT Government, and therefore by all Territorians.

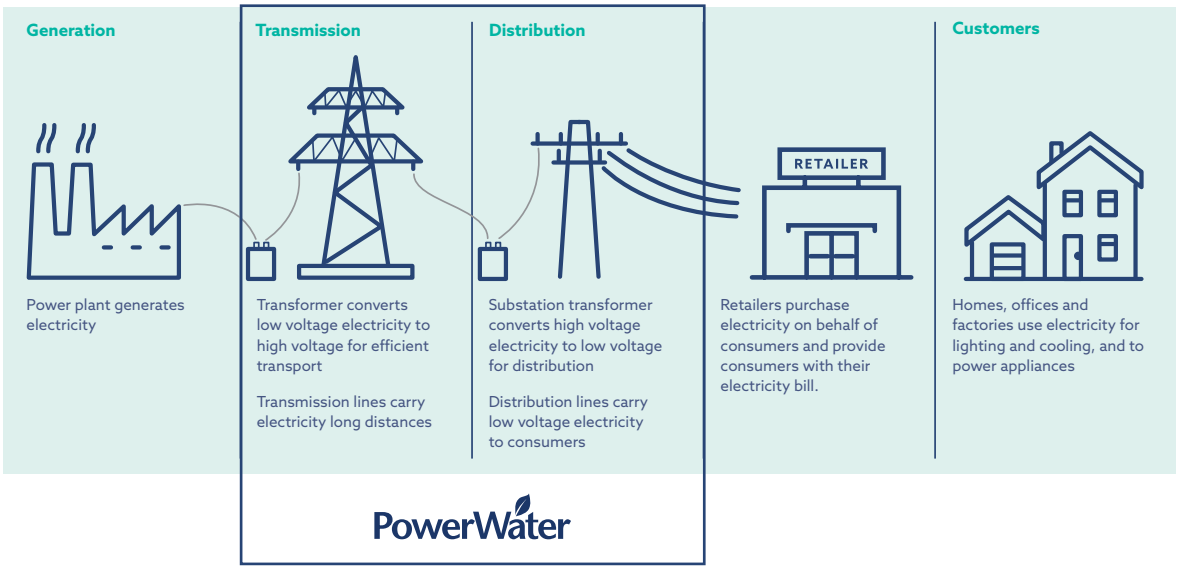
Our Power Networks' division is responsible for delivering energy from power generators to your homes and businesses in a safe and reliable way. We also connect new customers to the grid, we provide and read your meter to measure your energy use for billing purposes, we restore power after faults and emergencies, which occur due to severe weather events and other causes beyond our control, and we communicate outage and restoration information to you.



While your retailer (e.g. Jacana Energy, Rimfire Energy or QEnergy) charges you for your energy, they pay us for our services on your behalf. Our prices, also known as network tariffs, account for approximately:

- 44% or around $1,050 of the average annual household bill, and
- 35% or around $4,050 annually for the average small business customer.

While these percentages will differ depending on how much energy you use (and for large energy users, the prices in your retail offer), they help to illustrate our impact on your bill. For most customers, changes in our prices have no impact on their retail bills. This is because retail pricing protection applies under the NT Government's Electricity Pricing Order (the Pricing Order). This pricing protection means only our 200 largest commercial, industrial and government customers see our prices on their bills, and see their bills change when we change our prices.

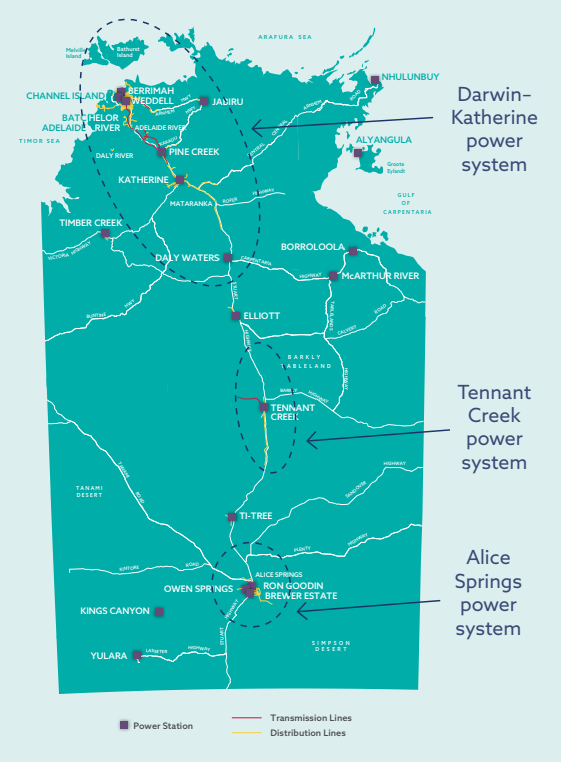


1.2 Who we serve

We provide our electricity distribution services to approximately 85,000 customers or an estimated 244,300 people, across an area of 1.3 million square kilometres.

About 75% of our regulated network customers are in the Darwin region and the remainder are in the Alice Springs, Katherine and Tennant Creek regions.

We serve our customers by managing and operating three geographically diverse electricity distribution networks[1] that have a low number of customers over a very large area, as shown in this map.



Every day we deliver electricity to:

- **73,000 households**
- **12,000 small and medium businesses**
- **200 large commercial and government customers**

1.3 Our services and prices are regulated

The standards of service we provide are regulated, and so too are the prices we charge to recover the costs of building and maintaining the poles and wires, and the support staff needed to keep the energy network operating. The NT Utilities Commission regulates our minimum service standards and specifies the payments (called guaranteed service level payments) we must make to customers who receive service performance that doesn't meet these standards.

In the past, the Utilities Commission also regulated the costs we could recover and the resulting prices we could charge for providing our services. From 1 July 2019, these prices will be determined by the national regulator, the Australian Energy Regulator.

This is part of a broad range of reforms the NT Government has adopted to align with the national energy market.

1.4 Role of our five-year plan

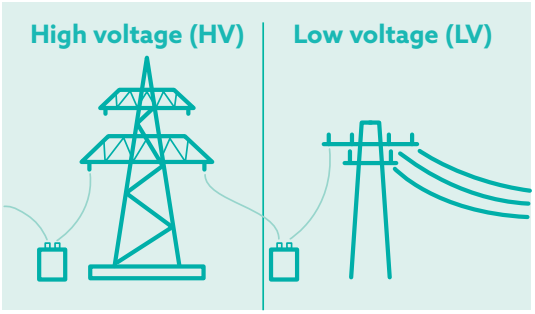
Our first regulatory approval period under the Australian Energy Regulator will be from July 2019 to June 2024. This paper outlines our plan for this five-year period, providing an overview for our customers. Our full plan is available on our website.

Our five-year plan sets out the end-to-end service offerings and costings for operating our network and investing to grow it to connect new customers. It explains how we have engaged with our customers to ensure our plan reflects their preferences, and what we are doing to address the things you told us you care about.

1 We operate electricity distribution and transmission assets. The NT Government has deemed that transmission assets will be treated as distribution assets for the purposes of economic regulation by the Australian Energy Regulator.

2 Our services, performance, business and environment

2.1 Our services



Distribution service | Our main service for all our customers is our common distribution service. This involves us moving energy over our high voltage and low voltage networks to get it from where it is produced (power generators) to where you want to use it in your homes and businesses. To provide this service we must invest in and maintain our system, and work to restore power when outages occur.

Metering services | We provide meters to all our customers to measure how much energy you use. Where we have provided a smart meter we can also measure when you use energy. To provide these services, we must install a meter and read it.

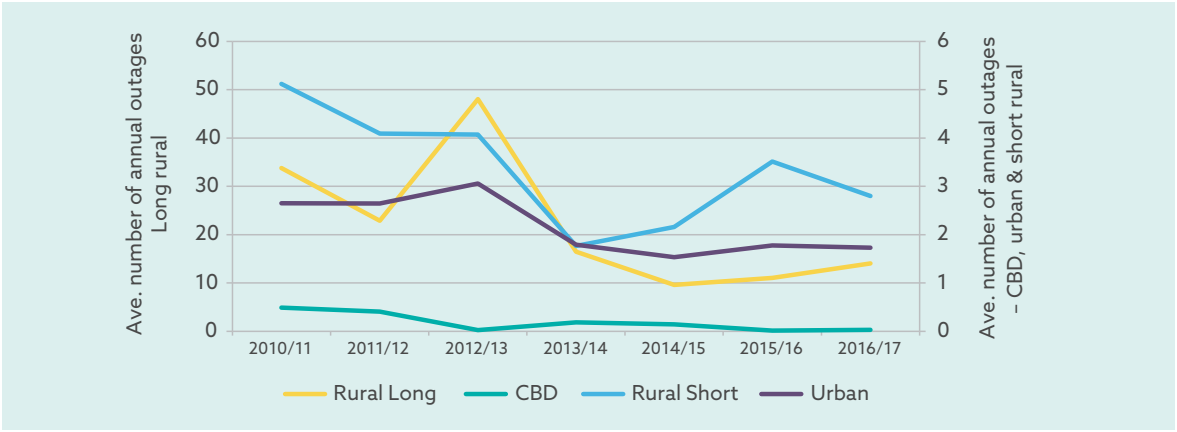
Ancillary services | We also provide a range of user pays services for items that not every customer needs. We provide these on a fee-for-service basis when they are requested.

These services include supporting connections to our network, like design and site establishment activities, and services for businesses that need to safely access our network, be supervised when doing so, or trained to safely do so.

2.2 Our performance

We have been working hard to improve the resilience of our system to minimise outages caused by weather and asset faults. Through our concerted efforts in asset replacement we have improved the reliability of our services, and our research shows this has made a noticeable difference for many customers.

I don't think we have had anywhere near the power cuts that we did ten years ago. Katherine



This chart shows the frequency of outages by service area, and highlights that we can still improve outage performance for our rural customers.

We have also worked to improve our responsiveness (how long we take to get power back on). Many Territorians will remember the days of extended blackouts which we all want to put behind us. Our average outage time has fallen to: under 3 minutes for the CBD or just 4% of the hour long average outage in 2010-11, 127 minutes for urban areas (68% of what it was), and 164 minutes for short rural areas (35% of what it was). It is still longer in our long rural areas at 1,655 minutes, but is thankfully now only 24% as long as it was back in 2010-11.

2.3 Our business

We are a government owned business. This means we are owned, and are a part of the communities we serve. Our strategic focus above our primary purpose of providing safe and reliable power delivery services is to reduce electricity costs for all Territorians.

We were structurally separated from the generation and retail parts of the energy chain in 2014. Over the years since then, we have been driving costs out of the business.

This five-year plan is based on continuing that focus, through the strong operating cost efficiency targets we have set ourselves.

Since 2000, our prices and service levels have been regulated by the Utilities Commission. While the Utilities Commission decided our prices for the current 2014-19 period, the Minister at the time overruled this decision. The Minister set our prices to ensure they were steady and stable over time and as low as possible, and accepted a lower shareholder return for doing this. Our forecast efficiencies and our smoothed interest rate approach (using an immediate trailing average debt that excludes impacts of the global financial crisis) now enable us to continue that low and stable pricing outcome without further government action.

2.4 Our operating environment

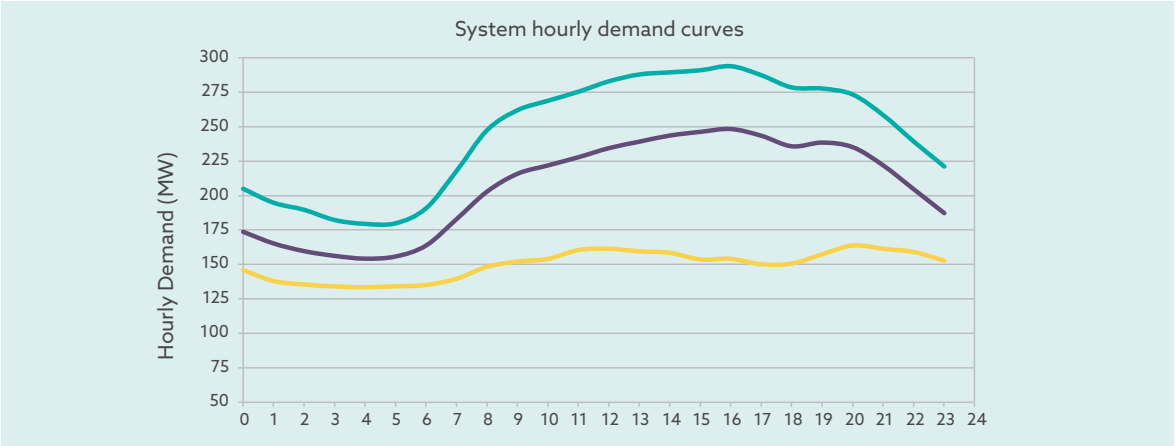
The NT's vast expanse stretches from the tropical savannah in the north to the deserts of Central Australia. The north experiences a monsoonal climate and torrential seasonal rains, floods and the threat of cyclones from October to May each year. The wet season is an inherently challenging time for our staff and infrastructure. In Central Australia, the desert summers bring scorching temperatures while in winter they can frequently dip below freezing, creating an equally demanding work environment.

Our operating conditions are starkly different to typical electricity networks. We must adopt service solutions and work practices that are fit for our circumstances, which means we are not readily comparable with most other network providers.

We service, by a considerable margin, the smallest customer base in Australia's National Electricity Market (NEM), but have the largest service area of any distribution network. We manage and operate three geographically diverse networks in challenging conditions:

- **We are remote** | Our geographic remoteness from other Australian population centres, and competition from the resource sector, limits our options for buying goods and services, and increases our labour and contractor costs.
- **Our load profile is flatter than many networks** | Our customers use energy fairly consistently on most days, but our systems have a long afternoon peak and are increasingly showing a second evening peak.
- **Our system demand is dominated by large commercial customers** | Our 200 large users account for 35% of total energy delivered, and include some major isolated loads for mines and government sites.
- **Our climate is harsh** | Our demanding climate poses serious threats to our assets and results in our network equipment degrading quicker, and failing more often, than our Australian peer networks. Our northern region, including Darwin, is affected by over 22,000 lightning strikes each year and a tropical cyclone (wet) season between October and April which brings winds of up to 232 kilometres per hour. Central Australia experiences major dust storms, long hot summers and below freezing winters. Our asset age profile was significantly affected by the full rebuild of the Darwin network after Cyclone Tracy in 1974 which creates a lumpy replacement profile for our assets.

- **We're not interconnected** | Our three networks require standalone operations. This is costlier than operating a single integrated network. Our total load is 350MW compared with 5,475MW for the NSW network (Ausgrid), and the total NEM of 45,000MW, although our customers have among the highest average annual consumption in the NEM.

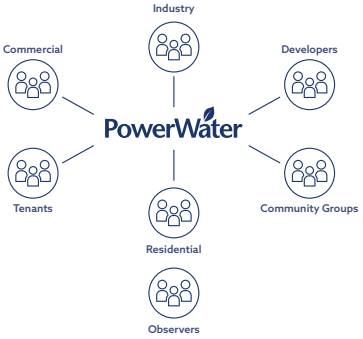


3 Customer engagement to develop our five-year plan

3.1 How we engaged

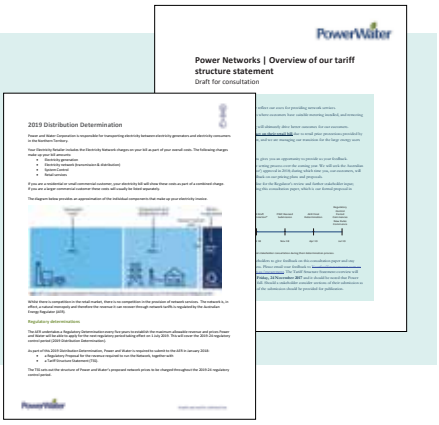
Achieving our vision of being a best practice, commercially focused and customer centric multi-utility requires that we understand our customers' needs and preferences. We have therefore undertaken our largest network focused customer engagement program to date, to achieve genuine engagement and feedback from our stakeholders, customers and system participants to inform our regulatory proposal.

We undertook stakeholder engagement and research during 2017 in two phases, starting with initial preference testing through focus groups and interviews, then moving to the second phase of researching specific options relating to the issues and preferences we heard in phase 1. Our program included: nine focus groups; 35 in-depth customer and stakeholder interviews; four Customer Advisory Council meetings; two deliberative forums; a large energy users' forum; and two tariff-related consultation papers.



Keep it simple – focus on an efficient, quality network and on ways to drive efficient use of the network.

Medium vulnerability customer, Alice Springs



3.2 What we heard on our services

We gained valuable insights into what our customers care about. The detailed findings are available in our customer engagement report and the reports provided by our research partner Newgate Research – available on our website at **powerwater.com.au/engagement**

The key feedback was that customers want us to consider the following actions in our five-year plan.

Reduce our costs | Our customers are concerned about the cost of electricity, including recent price rises and impacts on businesses and the vulnerable. All customers strongly supported our goal to become more efficient and to reduce network charges. Some cautioned us that reductions should not compromise reliability or our ability to meet the needs of a growing population.

Maintain service levels and target improvements for worst-served customers | Our customers emphasised that electricity is an essential service and that a dependable energy supply is critically important to their way of life. You want to know it is going to be "there when we need it". Many customers were pleased to report they are experiencing fewer blackouts in recent years, as a result of our network improvements.

It's a necessity. It's also expensive for me but it has always been reliable. Darwin

Customers also mentioned that occasional blackouts are acceptable in the Territory (largely due to storms) and were quite tolerant of infrequent service disruptions. However, some customers reported frequent blackouts. Some saw the reliability divergence as unfair.

I'd be happy to pay much more [to improve reliability] ... $1.70 is very small compared to the overall bill. The cost if we lose power is a lot more than that. SME, Alice Springs

In phase 2, we tested options to maintain overall system performance at current levels with targeted additional investment for areas with the worst performance. At a modest cost of $1.70 per customer per year, this was strongly supported.

They do a fantastic job. They're there whether it's rain or storms, fixing things and getting the power back on. Alice Springs

Fix billing, avoid estimation and adopt smart meters | Estimated meter readings and billing errors were a concern for customers. You expect us to get it right and make it easy to understand. Customers overwhelmingly supported us in adopting smart meters as our standard for new customers and replacements going forward. Many wanted us to fast-track this technology rather than wait for current meters to fail.

Reliability in billing ... I always get estimated bills because I have a locked gate. Residential solar customer, Darwin

Everything is an estimate! Medium vulnerability customer, Alice Springs

Improve communications | Our customers want better information. Information that is more accurate and timely, and establish better and closer working relationships built on more openness, transparency, and improved responsiveness. Customers want to know about outages and would prefer we have the facility to send text messages when they occur and about when power will be restored.

There were some recent outages at 5-6am and then tea time – and there was nothing on TV communicating this. Medium vulnerability customer, Alice Springs

Support renewables | Sustainable electricity generation was important to many of our customers, with strong interest in shifting to renewable sources such as solar. Customers often spoke of a desire for a mix of renewable energy sources not only to reduce pollution, but also provide a more resilient electricity system that is affordable and healthy for future generations.

Power and Water limited the size of solar units I could have – I wanted to install larger units. SME, Alice Springs

Logically it makes sense and it could be a good idea if it actually reduces wastage and the need for more infrastructure. SME, Alice Springs

3.3 What we heard on prices

Our pricing engagement and research focused on two distinct types of retail customers, recognising the differing price impacts.

Customers who consume <750MWh per year | Most of our 85,000 customers, comprising of households and small to medium businesses, currently have retail pricing protection through the NT Government's Electricity Pricing Order. This regulates the retail prices for these customer groups, so our regulator's pricing decision will not directly affect their retail electricity bills.

Our engagement with <750MWh customers tested their understanding and acceptability of our tariff design thinking and draft plans, and found these customers:

- **Understood impacts** | Understood their bills will be unaffected by changes we make to our tariffs to become more cost reflective.
- **Will respond in future** | Over half would likely shift some of their energy use to off-peak times in the future if they were to see peak demand changes reflected in lowering the cost of their retail bill.
- **Want equity between households and businesses** | The majority were in favour of better aligning the share of our revenue from larger business customers to reflect their share of our total costs.

Customers who consume >750MWh per year | Our 200 largest energy users see our network tariffs as a separate line item on their retail bill.

The regulator's decision on our network prices will directly affect these customers.

Our engagement with >750MWh customers focused on specific tariff changes, options and impacts for these customers. It identified that these customers:

- **Supported the cost reflective option** | More than half of these customers favoured our "Fully Cost Reflective" tariff option as their first preference. This option removes the declining block in our energy and demand charges and adds a charge for customers with a poor power factor.
- **Understood impacts** | Half understood their bill impacts and the other half partially understood, noting they needed to understand the delivered retail impact from their retailer.
- **Want time to correct power factors** | Some customers requested more time to prepare for the introduction of a poor power factor surcharge, asking that this start later in the regulatory period (instead of from 1 July 2019) to allow time to design and budget for their power factor correction solutions.

Energy industry | We also consulted NT energy retailers and our Customer Advisory Council through consultation papers to obtain their views on our draft plans and a range of pricing options and issues. These industry stakeholders supported us in moving to more sustainable pricing arrangements that will lower network costs over time, and better prepare the NT for future changes in how customers source and use energy.

3.4 What we are doing

We are investing to maintain system-level reliability and improve outcomes for customers with poor performance | Reliability matters to all our customers, and we recognise that improving reliability to our worst-served customers, by bringing them closer to the service levels enjoyed by most of our customers is important, equitable and aligned to what customers are willing to pay for. Our plan includes an overall investment and maintenance program to maintain system levels of reliability and responsiveness. We have also included a targeted program of $6.7 million to improve reliability of short and long rural feeders in the areas around Alice Springs, Katherine, Tennant Creek and Darwin.

We will be cheaper | Our plan seeks less total revenue than we currently charge, with a reduction equivalent to $97 per year less, per customer, per year on average and in real terms. Improving our cost efficiency is important to our customers and is key to our business strategy. We will lower our operating costs in the next regulatory period by applying a 10% efficiency stretch target, in addition to the savings we have made compared to what we were allowed currently.

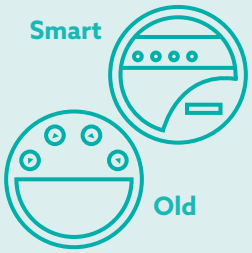
Access
Energy
Demand

We are moving to sustainable pricing structures | Peak demand for energy is what drives our need to invest in network capacity. Our pricing will have demand charges for all customers with smart meters. These will only charge for demand in the peak periods that drive our costs, with zero charge in off-peak times and weekends to encourage customers to use electricity when it is cheap. We will remove declining block demand tariffs that currently reward large industrial customers who use more energy when it is costing us more to provide that capacity across the system. This will have no impact on any of our household, or small and medium business customers under the retail price protections of the Pricing Order. We have consulted with the affected large users to design a pricing plan that means only 12% of customers will see any bill increase as a result of this.

We will prepare for and support stronger competition in the NT energy market | Our customers will benefit from more easily choosing retail market offers in the future. We are transparently separating our metering charges from our common network service charges and designing meter charges that recover the cost of meters over their service life, rather than upfront. Together with our smart meter plan (below), customers using >40Mh per year, and those whose meter we replace due to meter failure, no longer face an upfront charge of as much as $600 just to get a meter that lets them change retailers or install a rooftop solar PV system.

We will use smart meters as our standard for all new customers and when replacing faulty meters | By 2019 we will have rolled out smart meters for all of our customers who use >40MWh per year. After hearing our customers' preferences about accessing the customer benefits of smart meters, we will now install these for all future customers on a new and replacement basis. These meters will better support Territorians in reaching the NT Government's 50% renewable energy target and will allow customers to better understand how they use energy and to also access competitive retail offers. We will also build a new meter data management system to improve our meter data collection and verification process, to ensure accurate and timely billing.

Our electricity meter types and capabilities



In the past, most customers have had meters that simply measure the total amount of energy used between meter readings. We call these accumulation meters.

Our largest energy users have had meters which measure the amount of energy used in 15 minute intervals. This provides information about their usage during peak times and off-peak times for our network. These meters also have communications capabilities that allow us (and potentially our customers) to access meter data more frequently than once per month or quarter. We call these smart meters.

By 1 July 2019 all customers who use >40MWh per year will have had a smart meter installed at their property, capable of being remotely read.

From 1 July 2019 we plan to only install smart meters for new connections or when replacing a meter which has reached the end of its service life.

We are improving the ways we communicate with you | We have recently updated our Power and Water app (available on our website). We are investing in new IT and communications systems, including a customer relationship management system and outage management system. These systems will improve our data availability, and help us to respond and deliver on customer feedback where the preferred option was that we send a text message for outage notifications and for information on when supply will be restored.

We are making it easier to connect renewables to our network | We recently increased the default threshold for automatic approval of solar PV connection capacity, and continue to seek opportunities to further facilitate customers' renewable generation connection to the network. We have also been working closely with a number of major solar generators to facilitate their connection to the network, with the first large scale connection expected during 2018-19.

4 Our five-year plan

4.1 Our 2019-24 objectives and focus areas

We are committed to delivering the distribution services our customers need and value as efficiently as possible. Consistent with this, our organisational vision is:

...to be a best practice, commercially focused and customer centric multi-utility respected by the community for its contribution to the Northern Territory economy and its pursuit of the long-term interests of consumers.

Our focus in developing our proposal has been to reflect what is important to you, our customers, and to support a smooth transition to national regulation.

Our proposal

- is informed by our customers' preferences as identified through our engagement and research program
- largely reflects the Australian Energy Regulator's guidance and preferred approaches
- includes credible expenditure forecasts
- maintains current reliability levels and targets improvements for customers who currently have below standard service performance.

4.2 Summary of our 2019-24 proposal

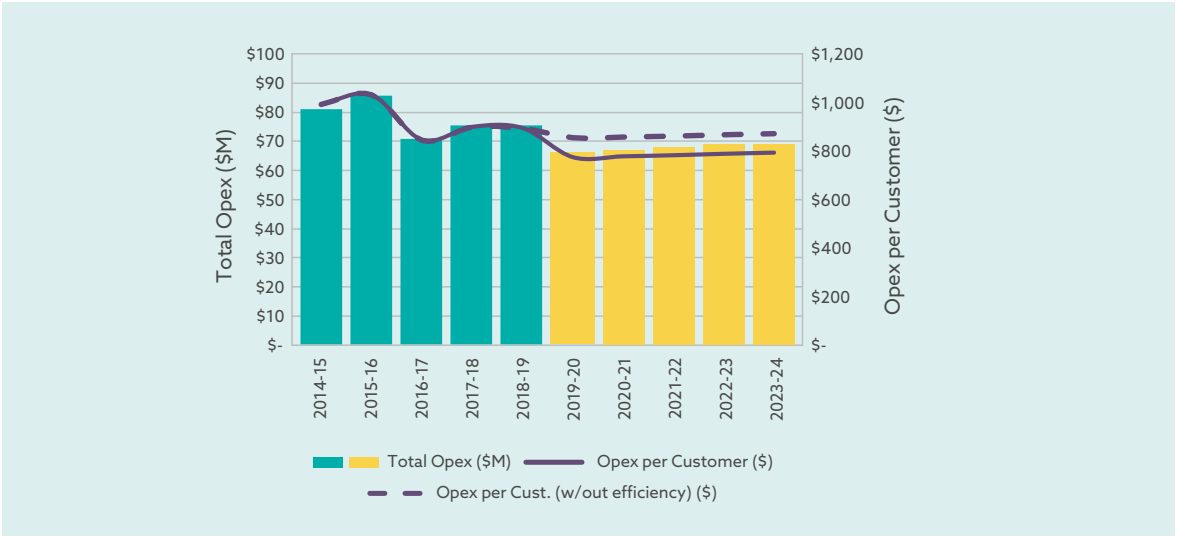
We are lowering our charges | Our plan will deliver network bill savings (excluding the impact of inflation) for most customers.

Households[1] | 1.4% or $16 decrease for a typical residential customer consuming 8,500kWh per year with an accumulation meter, which at 44% of the typical retail bill represents a 0.63% decrease

Small businesses[1] | 4.9% or $207 increase for a typical small business customer consuming 38,000kWh per year with an accumulation meter

Large users | 11% or $9,758 decrease for a large industrial customer consuming 1,000,000kWh per year.

[1] This customer class currently have retail price protection, so our charges will not directly affect their retail electricity bills.



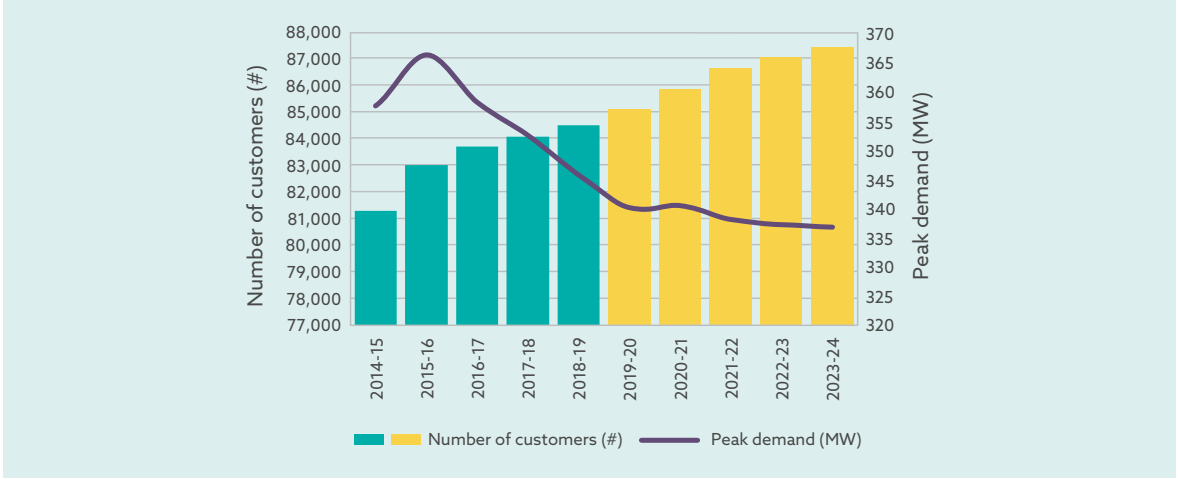
We are proposing to lower our annual operating costs by over $150 per customer | Our operating and maintenance costs have been falling, and our forecast is 12.8% lower than in the past. This includes reducing our costs by setting a 10% efficiency stretch target, and adopting the capitalisation practices of other networks. These support better customer outcomes by capitalising our vehicle leases, a share of our overheads, and our IT costs. Historically we expensed these, which meant recovery in a single year rather than over the life of the assets from all customers who benefit from them over time.

We are adopting independent demand forecasts | Demand forecasts are important to our five-year plan because they drive our investment in system capacity and new connections. We also use these forecasts to set our prices to recover the revenue our regulator allows us.

Because they are so important and involve deep expertise and judgement, we commissioned the Australian Energy Market Operator (AEMO) to work with us to develop independent forecasts.

The AEMO forecasts that:

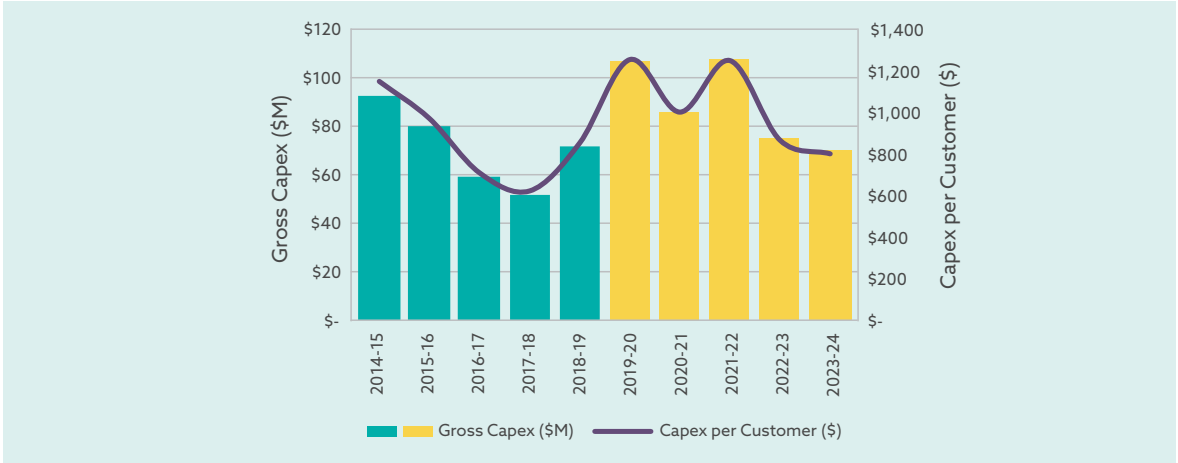
- **Darwin-Katherine** will be impacted by the completion of the construction phase of a major gas development from late 2018 and the increased penetration of rooftop PV capacity, although new industrial and residential developments in and around Darwin will contribute to driving maximum demand growth at four of our zone substations.
- **Alice Springs** will be impacted by population decline and the increased penetration of rooftop PV.
- **Tennant Creek** will increase after 2018 for additional loads supporting the Northern Gas Pipeline project.



We are adopting a smooth debt funding approach | We need to finance our asset investment with borrowings (debt) and our shareholder's equity. Our current prices reflect a financing cost allowance (called 'rate of return') that is below both on-the-day and trailing average return on debt approaches used by regulators. This is because the Ministerial direction, mentioned earlier, effectively overruled the Utilities Commission's financing cost allowance.

Our actual debt financing practices – which mean we hold a staggered portfolio of debt – align with that implied by a trailing average. Our proposal adopts an approach that continues this stable trailing average to estimate our debt costs, and largely removes the effects of the global financial crisis by not including the peak rates in late 2018 and early 2019 in that average.

Our capital investment plan will secure our service outcomes and improve customer communications | Our average investment per customer for the next five-years will increase from $858.80 per customer in this period to $1032.90.



We will:

- **Replace aged assets** | We will continue to replace and refurbish our existing network based on identified asset issues and historical failures so that we maintain our current overall reliability levels, and improve service outcomes for customers who currently have below standard service performance.
- **Augment capacity in key growth areas** | We will address capacity constraints in our network due to growth in maximum demand, caused by population growth and localised development. Key projects include: upgrading the Wishart and Archer zone substations; and upgrading overloaded feeders.
- **Connect 3,000 new customers** | We expect to connect over 600 new residential, commercial and industrial customers each year. We will undertake some of these connections ourselves while others will be undertaken by developers and other third parties, who build the required assets and then gift them to us to operate and maintain.
- **Improve our IT for better billing, outage management and customer communications** | We will invest in systems that enable us to improve our customer relationship management; reliability management; meter data management; and reporting to the Australian Energy Regulator and Utilities Commission about our performance.
- **Start investing in smart meters for all customers** | We will deploy smart meters on a new and replacement basis. These will greatly reduce the number of estimated reads and give both us and our customers new information to improve decision making.
- **We are adopting approaches the regulator prefers** | We are seeking a smooth transition to the national regime, and want a plan which the Australian Energy Regulator will agree is in our customers' interests. We have developed our five-year plan to be consistent with the regulator's preferred regulatory approaches and positions, with a small number of exceptions that account for our unique operating circumstances.

- **Caps on our prices** | We will apply a revenue cap to our common network services, meaning we cannot earn any more than the total revenue the Australian Energy Regulator sets for us. This will deliver revenue and price certainty and stability, and will reduce network prices if demand increases.
- **Standard regulatory treatment of services** | We have treated our service types and service classifications in the way that the Australian Energy Regulator recommended for us. This means our metering services will now be separated from our common network services and itemised separately on our bills to your retailer.
- **New stronger efficiency incentives** | We will apply the Australian Energy Regulator's operating and capital expenditure efficiency incentive schemes, and its demand management innovation allowance and scheme. These new incentive mechanisms will provide financial incentives for expenditure efficiency, efficient demand management and innovation in the way we deliver our services.
- **Keeping the NT rebate system for poor service outcomes** | We will continue to apply the NT guaranteed service level scheme and regulated standards of service, which means the Utilities Commission continues to set the rebate amounts and service targets for when we need to pay customers who experience poor service.
- **Adopting a new nationally-consistent connection policy** | Our connection policy is used to calculate cash contribution payments from our customers for work that we undertake to connect them to our distribution networks. Our new policy complies with the Australian Energy Regulator's guidelines and ensures that existing customers are no worse off when we connect new customers because we must test if the revenue we will recover from them under our regulated tariffs will cover the cost of connecting them, and if it doesn't we will charge them a contribution for the difference.

4.3 Key risks and benefits

In addition to the key benefits we have built into our plan, outlined above in section 3.4, we have sought to balance benefits and risk on a number of important matters:

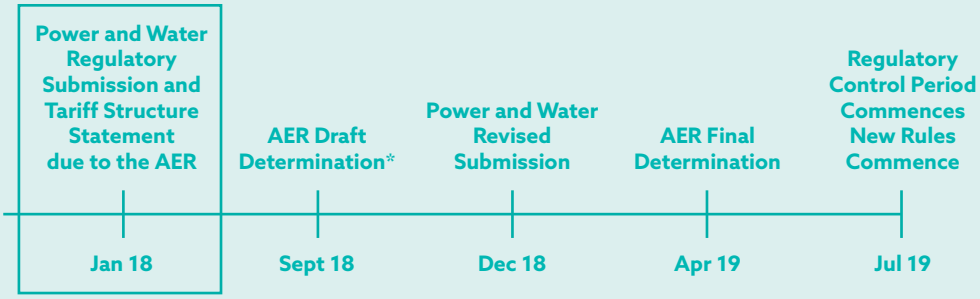
- **We are managing the national transition costs conservatively** | All our forecasts for the five-year plan reflect our best assumptions, including those that deal with the uncertainty created by the NT energy sector transitioning to the national energy rules and regulator. We must develop our proposal to meet our regulatory obligations at a point in time. We know some of these will change due to the ongoing process of transition for some matters. We have adopted a regulatory baseline for our five-year plan that only includes costs for things we are certain about, and will deal with any unknowns through revised forecasts or pass through applications to the regulator when other new or amended obligations become known. This approach ensures our prices don't pass on the cost of uncertainty to our customers that we do not actually end up incurring due to differences between expected and actual obligations.
- **Our forecasts are needed to deliver the services our customers value** | The investment and operating expenditure forecasts in our plan are our best understanding of what we need to provide safe and reliable services at the service performance levels you told us you value. If the Australian Energy Regulator cuts these forecasts, we risk lower service performance or greater safety risk. We note that under the retail pricing protections, such cuts may not deliver savings to most of our 85,000 customers, but would affect their service experience.
- **Our ability to adopt sustainable prices and best support retail competition relies on our plan to install smart meters** | Smart meters will be integral to us supporting the modernisation of the NT energy market and supporting our customers to choose retail offers without the high cost barrier of buying a new meter. We think the long-term benefits that have driven smart meters and retail competition to be the current default practice in the National Electricity Market are equally important to Territory customers, and to supporting lower energy bills in the future. Smart meters will better prepare the NT energy system for change, and enables us to do our part to meet the NT Government's renewable energy target.

5 Next steps

This proposal is the first step in our formal regulatory review process. You can stay involved in our price setting process over the coming year. We will seek the regulator's approval in 2018, during which time our customers will have further opportunities to give feedback on our five-year plan, including our pricing plans and proposals.

Below is the timeline for the Australian Energy Regulator's review and further stakeholder input, highlighting where we are now. We encourage our customers and stakeholders to provide feedback on this consultation paper and stay involved in the regulatory review process.

Please email your feedback to YourSay@powerwater.com.au or visit our website at powerwater.com.au/2019regulatoryproposal



* The AER will undertake customer and stakeholder consultation during their determination process.


PowerWater