

NCP Inquiry
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Commissioner

Re: National Competition Policy Inquiry

Thank you for the opportunity to respond to the National Competition Policy Inquiry.

Power and Water Corporation is currently the sole utility service provider for public electricity, water and sewerage services in the Territory. Power and Water became a Government Owned Corporation on 1 July 2002.

In the Northern Territory context the most significant areas of reform affecting Power and Water have been those relating to the electricity market, water pricing and management, and corporatisation.

Providing for competition will not necessarily result in competition in the NT electricity market, given the existing barriers to entry, which include:

- only one source of gas; any competing generator in the NT would be subject to the same gas price as Power and Water (or higher fuel costs if diesel was used)
- limited gas is available for sale to new market entrants
- there has been slow growth in electricity demand, reflecting low population growth and slow industry development
- no network interconnection
- the NT electricity market is a very small size
- Power and Water's generation plant efficiency, size and mix is established
- few opportunities for price differentiation
- pre-existing power purchase agreements
- pre-existing gas transportation agreement
- potential substantial diseconomies of scale and scope could occur with more than one supplier in the small Territory electricity market.

Reforms aimed at introducing a regulatory framework for a competitively neutral electricity market have not, by themselves, resulted in competition in the Northern Territory electricity market. In the NT context a regulated monopoly may result in the best net benefit outcome.

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Managing Director
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