NEW STRUCTURE TO FIX LABOR’S MESS

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The Northern Territory Government has approved the next stage in the reform of the Territory’s utilities market.

From July next year the Power and Water Corporation (PWC) will be restructured to separate its monopoly and competitive businesses into stand-alone government owned corporations with separate boards.

“A key aspect of the reform program is a restructure of PWC to make its operations more efficient and transparent and provide greater accountability for financial performance to its owners, Territory taxpayers,” Mr Tollner said.

“It is not privatisation, but we’ve been forced to make sweeping structural changes to Power and Water because of the former Labor government’s financial mismanagement of PWC.

“The primary objective of the restructure is to make PWC more efficient and financially sustainable and to ensure it can operate effectively in the new competitive electricity market.

“This is about fixing the mess Labor made of Power and Water. Its irresponsible investment decisions and operating practices turned PWC into a debt-burdened business.

“Families, businesses and other Territorians met the costs of these decisions with the former Labor administration using millions of dollars of their money to prop up the financially ailing PWC.

“I am determined that Territorians will not have to go through the same sorts of price increases caused by Labor in January. That’s why this new structure is so important. It is part of the package of reforms I announced earlier this year.”

Mr Tollner said the Country Liberal Government’s reform program for the Territory’s utilities supply industry will address:

- concerns around the financial sustainability of PWC;
- the lack of competition in the Territory’s electricity supply market; and
- the reliance on Government to fund electricity supply infrastructure to ensure reliability of supply.

“The reforms will ensure future utilities tariffs are the minimum necessary to ensure reliable and efficient standards of service and the ongoing financial sustainability of new PWC entities,” Mr Tollner said.
“Changes to the Territory’s electricity market will promote and encourage private suppliers to establish in the Territory to compete with PWC.

“The reforms also bring the Territory’s regulatory arrangements more into line with those in other jurisdictions and avoids the need for electricity suppliers in other states to have to adapt different rules in order to establish operations in the Territory.

Mr Tollner said there will also be initiatives to encourage competition at the retail end of the market to allow business and households to choose their electricity supplier. These include:

- introducing standard supply contracts which define the minimum terms and conditions and maximum tariffs, with customers free to negotiate separate contracts with suppliers if beneficial for them to do so; and
- making existing customer subsidies available to all electricity retailers, not just the Power and Water Corporation.

“The changes mainly involve separating out PWC’s monopoly and commercial functions so that its subsidiary businesses have stronger incentives to trade with each other, and other suppliers, on commercial and arms-length terms,” Mr Tollner said.

“This allows management and governance structures to be more focussed and provide greater oversight of finances and operational performance. This is difficult under PWC’s current structure, where PWC’s separate businesses are integrated under a single legal and management structure.

“Government will continue to fund the delivery of utilities services in remote areas under the Indigenous Essential Services program.”

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