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Dear Ms McGill

## **NTESMO Revenue Proposal Consultation – Submissions - Territory Generation (TGen)**

I refer to your email dated 29 August 2023 in regard to the above matter.

Please find below TGen's submissions.

### **1. Re-coup of old costs retrospectively**

- 1.1 Under the caption "Steep increase in regulated charges in next regulatory period" at page 4, the Northern Territory Electricity System and Market Operator (NTESMO) proposes to increase the regulated charges by System Control and the Market Operator. The proposal is to increase from the FY25 charges to FY26 for System Control from 0.0056 cents/kWh to 0.0207 and for Market Operator from 0.00060 kWh to 0.00411 kWh. It is stated that there is a shortfall between FY20 and FY25 of approximately \$37 million and that NTESMO's proposal is to recover that shortfall in the remaining two year period of FY2027 and FY2028.
- 1.2 The regulated charges to the NTESMO for the relevant period are paid by system participants and customers. Accordingly, the charges for the period FY2020 to FY2025 will be paid by the system participants and customers who are system participants and customers in the years FY2020 to FY2025.
- 1.3 The NTESMO proposes to recover the shortfall during that period from system participants and customers retrospectively in FY2027 and FY2028 from customers and system participants in those years who are not necessarily the same customers and system participants from the years FY2020 to FY2025.
- 1.4 The NTESMO has not set out the legal basis for such a course of action.

### **2. Steep increase in proposed charges**

- 2.1 The NTESMO proposal is to increase from the FY25 charges to FY26 for System Control from 0.0056 cents/kWh to 0.0207 and for Market Operator from 0.00060 kWh to 0.00411 kWh.
- 2.2 The System Control charges increase by 269% in one year whereas the market Operator charges increase by 585% in one year. The reason attributed by NTESMO is that they failed to anticipate the increase in costs relating to increase in solar penetration and incident response costs. It is not clear why the increase in solar penetration was not anticipated given the NT Government's policy target of 50% renewables by 2030 is well known. There is no comparable information relating to incident responses.
- 2.3 It is TGen's submission that such a steep increase of 269% and 585% respectively cannot be justified by regulatory means, especially considering the basis for such a move and imposes an unfair burden on current market participants.

### **3. Ancillary Services – reimbursements parallelly**

- 3.1 TGen provides ancillary services to Power and Water Corporation (PWC) and has no means of independently adequately charging for such services. This anomaly will only be rectified when the Australian Electrical Rules (AER) are adopted by the Territory fully.
- 3.2 The rate of \$5.40 that TGen is being paid presently, which has not been adjusted to reflect the increase in service level or inflation since 2014, has failed to maintain parity with the cost of service provision.
- 3.3 In the absence of the System Controller amending the current rate, TGen will have to wait for the adaptation of AER provisions fully (if it happens) to receive adequate reimbursement for these services. NTESMO has access to readily available mechanisms to increase its charges.

### **4. Various arms of PWC seeking revisions in charges independently of each other**

- 4.1 In addition to NTESMO seeking revision of its charges, it is known that Network Services are also currently seeking revisions in their charges.
- 4.2 The NTESMO has stated that parts of corporate costs are included in its proposal to increase its charges.
- 4.3 Various arms of PWC are independently seeking revisions of their charges. The Utilities Commission will benefit by having a full picture, if all these independent revisions are presented as a combined amount with breakdowns, to determine whether corporate and administrative costs are properly distributed among various business units and that there is not in fact “double dipping” for the same costs. This is important because PWC is in a unique position of having semi-regulatory arms such as System Controller, Network Operator and Market Operator who have the means of obtaining regulatory charges unlike other government departments and corporations.

### **5. Increase in costs is universal taken together with restricted budget and recruitment freeze in the NT**

- 5.1 It is not in dispute that operation costs have increased, including for NTESMO, and the budget situation in the Territory is tight.
- 5.2 Government bodies are required to tighten their spending whilst on restricted budgets. While all other government bodies are operating in such circumstances, it would be an anomaly for PWC to circumvent such restrictions through regulatory means and increase their charges by 269% for System Control and 595% for the Market Operator.

If you have any queries, please do not hesitate to contact me by email [eddie.mallan@territorygeneration.com.au](mailto:eddie.mallan@territorygeneration.com.au) or by phone on 0490 021 529.

Yours sincerely



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**General Manager, Commercial**

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