



Many thanks for the opportunity to comment on the NTESMO.

The engagement with the Manufacturers Council and the Chamber of Commerce NT by the NTESMO has been very welcomed. This is reflective of a genuine effort to consult with stakeholders.

The Manufacturers Council executive has discussed the issues involved with the proposed pricing changes and make the following observations.

1. ***There is a need to increase pricing*** for electricity within the NT power grid, as a result of:
 - a. Profit recovery due to price rise restrictions over the last few years that have reduced profit significantly for the NTESMO – effectively creating a negative profit situation for electricity supply and maintenance.
 - b. The rise in operational costs due to equipment and wage increases following the pandemic
 - c. A need for a customer billing software system that provides more flexibility in tariffs and a higher quality of service.
 - d. The need to prepare the grid to accept renewables without destabilisation.

2. ***The time schedules for AER review of pricing of 5 years is not appropriate*** to the current market's upstream and downstream fluctuations. 5 years does not allow for the dramatic variation in
 - a. operational cost increases of items such as fuel, grid componentry, and wages. All of which have been highly affected by our recent pandemic.
 - b. New technology uptake, including the development and appropriation of equipment critical to the uptake and inclusion of alternate power.

3. ***Operational Costs and Covid.*** Operational costs (equipment and workforce) have increased following Covid. The NT has seen this phenomenon to a much higher degree than other parts of Australia. Logistics have also become more complex. The Manufacturers Council is aware that this is a factor affecting all industry in the NT, and that prices need to be adjusted accordingly.



4. ***The grid has increased in customer size.*** There is a significant increase in the number of users and the proposed flexibility of service – eg. variable tariffs based on daylight hours, solar exports, etc. This has resulted in a need for a much better customer management system. This is seen as an essential item that will need to become part of an operational expense, which will be reflected in pricing. We do look forward to the flexible pricing structure allowing for astute users to offset this increase through intelligent scheduling of operations.

5. ***The stability of the NT power grid is paramount.*** The NT power grid is relatively small, and yet is critical to the Territory population, for both domestic and commercial applications, as well as for confidence in future private investment. The size of the grid will result in relatively high fluctuations due to minor changes, including during regular demands. This also makes it highly susceptible to failure in times of contingency.

The Manufacturers Council cannot over emphasise the importance of reliable, stable, power.

It has been well known that there are factors being introduced into the grid that are having the effect of destabilising the grid. These factors are well known and have been predicted well in advance. It is observable that there has not been sufficient effort to precede these changes with grid modifications leading to stability.

We have now reached a crisis moment of marginal grid stability, requiring a reactive action, rather than pre-emptive. The Manufacturers Council strongly advocates for and supports strong action to correct any instability be carried out sooner rather than later.

To allow for the inclusion of renewables onto the grid and to maintain stability, there is a very high priority need for predictability of weather, and for frequency and voltage regulation. Thus the inclusion of renewables reflects an enormous cost to ensure the essential stable grid operations.

In response to these observations the Manufacturers Council is making the following recommendations to NTESMO.

- The Manufacturers Council feel that the NTESMO actions in response to the significant cost increases over the last 5 year AER review period that has seen an estimated \$45 mill reduction in profit, and wishing to seek only a \$14 mill cost recovery, is appropriate. This approach is in keeping with how many NT businesses have fared with the pandemic and resultant expenses. Although some local business contracts were completed at a negative profit, others were renegotiated with resultant price increases.



- We are aware, as industry, the increased costs of workforce and equipment. There is a necessity to reflect this increase incurred by NTESMO in ongoing pricing.
- Grid expansion, tariff flexibility and customer service improvements due to increased customer numbers will require better customer data and billing management. While we support pricing increases to allow this to happen, we do ask that there is clarity with all stakeholders to ensure that customers are aware of best value usage profiles.
- The Manufacturers Council advocate prompt action to stabilise the grid, but *do not* support direct customer price increases due to the cost of inclusion of renewables onto the grid. There needs to be much stronger stakeholder engagement to seek alternative, and more appropriate, funding for this critical work.

In regard to the inclusion of renewables... The move to incorporate renewables has been a result of a socio-political decision and not of a customer demand or need. This is not a condemnation of renewables, but rather an indicator of where the funding for their incorporation into the grid could be sourced.

Any significant electricity price increase will affect the viability of business investment in the Territory, as well as the viability of many of the current NT businesses. This is in direct contrast to the goals of the Territory Economic Recovery Commission (TERC) report, which has established the socio-economic goals of the Territory. The TERC report has identified private investment as essential to the Territory's future economy.

The projected price increase is untenable for current industry and investors.

The reduced cost of renewable energy does not outweigh the expense of incorporating them into the grid. This extra expense must be provided for, separate from the normal capital and operational expenses.

The Manufacturers Council do not recommend a price increase to cover the cost of renewable inclusion onto the grid.

We highly recommend that this expense is negotiated for with

- Northern Territory Government, particularly as part of their responding to the Government's policy on renewable energy,
- The Federal Government, as they have
 - a long term policy of developing the North,
 - a policy of increased national productivity based partly on the competitive pricing of power due to cheaper renewables, and
 - a commitment to green-house gas emissions.
 - Private investment entities investing in solar farms, and grid components also encompassing some responsibility for their inclusion costs.



The Manufacturers Council strongly recommends this stakeholder engagement be conducted at the highest levels to ensure a realistic, commercially viable, energy solution, which is capable of supporting community, industry and Government expectations.

Yours,

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On Behalf of the Manufacturers Council NT.

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