

29 March 2019

Via email: DTF.UtilitiesReform@nt.gov.au

Dear Utilities Reform,

Submission in Response to:
Northern Territory Electricity Market Consultation Draft Functional Specification.

Ekistica appreciates the opportunity to provide feedback on the current draft functional specification for the Northern Territory Electricity Market. Ekistica works with a wide range of stakeholders across the Territory and we support this crucial step of the industry reform.

The opportunity to design a market does not come often, and the magnitude of the decision demands rigorous review and consideration. In addition to industry consultation, we believe that there is need for additional market-design expertise to review the specification to ensure that it is able to adapt and refine to the substantive levels of change driven by technology and changing consumer expectation as well as the Government's policy of achieving 50% renewables by 2030.


Capacity Market

Ekistica appreciates the need for careful consideration of the reliability of supply, and we enthusiastically support the introduction of a consumer-focused reliability standard. However, it is not yet clear that a separate market mechanism will be necessary for delivering the target level of the reliability standard.

Furthermore, the introduction of a capacity mechanism is not without significant risks:

- Administration of the capacity market and the creation of a separate institutional body will come at a cost to the consumer. With this in mind, we encourage DTF to give serious consideration to the existing capacity within System Control to deliver the role of reliability manager.
- The capacity mechanism will have unavoidable interactions with the primary energy market, and, may further entrench incumbent market power. Approaches to specifically encourage new capacity providers and to encourage competition should be presented in the transitional plan.

As noted in the draft specification, capacity at the commencement of the NTEM is predicted to exceed the reliability standard. It therefore remains to be demonstrated that a capacity market is necessary at a practical level. We contend that any form of capacity mechanism should begin with a careful analysis of the shortcomings of the primary energy market.

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Ancillary Services

Post-event causer pays recovery of FCAS compensation has been a source of significant contention on the NEM, and consideration should be given towards solutions that will help avoid similar issues on the NTEM. Furthermore, the design of the causer pays system should be considered in close conjunction with the Generator Performance Standards forecast accuracy requirements for variable renewable generators that are currently under consultation.

We also encourage a deeper assessment, and periodic review, into the requirement of physical inertia, as the current inertia requirement may become obsolete with the introduction of battery storage and modern power inverters to the NTEM.

Dispatch support services

The draft functional specification does not yet state a time frame for compensation of dispatch support services, nor is the precise method of compensation specified. We note that this compensation may have a significant impact on the investment case for generators seeking to connect to the Katherine line, and therefore further detail in this area is strongly encouraged.

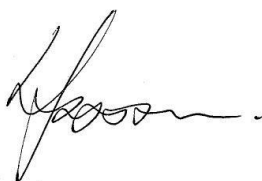
Overarching considerations

Ekistica emphasises the importance of transparency and clarity in the design of the future market in order to encourage investment from new entrants.

In the short term, it may now be difficult for the all transitional arrangements to be initiated by 1 July 2019. While we appreciate that the current consultation and design process is complex, we encourage DTF to provide realistic timelines for both the target commencement date and the duration of the transitional market arrangements.

In the longer term, we note that given the rapid influx of new and diversified generation and storage that will wish to connect to the DKIS in the coming decade, it will be crucial that consumers and potential investors have access to information related to the approved and planned pipeline. This transparency will be vital to the accurate assessment of network impacts between neighbouring generators in construction, the planning of grid connection timelines, and the forecasting of marginal loss factors.

Regards,



Lyndon Frearson
Managing Director