



29 March 2019

Ms Samantha Byrne
Senior Director Utilities Reform
Department of Treasury and Finance
Northern Territory Government

GPO Box 1974, Darwin, NT 0801

By email to dtf.utilitiesreform@nt.gov.au

Dear Samantha

NTEM draft functional specification

Thank you for the opportunity to provide a submission on the Northern Territory Electricity Market (NTEM) draft functional specification consultation paper (the Paper) published on 7 February 2019.

EDL is a leading global producer of sustainable distributed energy. We own and operate around one hundred power stations across Australia, North America and Europe including the Pine Creek and McArthur Rivers Power Stations in the Northern Territory.

We note and support the Government's objective to completing the transition of the NTEM to a model that delivers secure, reliable and affordable power to the Territory's households and businesses using a range of sustainable generation technologies. We agree that those three limbs of the "energy trilemma" provide an appropriate framework for evaluating the proposed Functional Specification.

We also note that a number of other related activities are currently underway to deliver the start of the NTEM later this year. This includes Power and Water Corporation's (PWC's) proposed amendments to the Generator Performance Standards set out in the Network Technical Code. A copy of our submission to PWC regarding those changes is attached to this letter.

EDL is generally supportive of the Functional Specification at an in principle level. However, this is subject to the following concerns:

- We note that a key design principle of the NTEM is a "do no harm" approach. However, the changes introduce both commercial and technical risks and it remains unclear to what extent the net impact of those risks and associated costs and benefits will turn out to be positive over the longer term. EDL strongly endorses a clear assessment being made of the likely net benefits of the proposed design with that economic modelling informed by a thorough technical and commercial understanding of the power system and market model. For example, without that understanding it is difficult to accept the commercial risk associated with the out of balance mechanisms that form a key part of the design
- There needs to be a clearer picture of the expected costs of the ancillary services it is proposed that T-Gen provide, how they are proposed to be recovered, when they will be unbundled from T-Gen and the timeframes for doing so

- There also needs to be clarity regarding the mechanism for parties to be compensated for providing Contingency Frequency Control Ancillary Services (C-FCAS).
- Finally, there needs to be certainty around the mechanism for making future changes to the design itself. For reasons of market consistency, rigour and transparency, EDL would prefer that such matters to be the responsibility of the Australian Energy Market Commission. However, we recognise that a suitable interim arrangement may be a Rule Change Panel akin to the model used in Western Australia. The efficacy of those interim arrangements would need to be tested through a consultation regarding the relevant legislation, Panel terms of reference and appointment criteria.

In the circumstances, we submit that there should be further consultation on the issues raised above as well as the further detail of the Specification prior to a final version being developed.

We look forward to participating in that conversation as we work together to deliver on the Government's NTEM objectives.

Please feel free to contact me on (07) 3275 5504 or anthony.englund@edlenergy.com should you wish to discuss any aspect of the above.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Anthony Englund', with a stylized, overlapping loop structure.

Anthony Englund
Head of Regulatory Affairs
EDL