

Market settlement and transfer solution

Regulatory Business Case
FY2028–32 System Control and Market
Operator Charges Review

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1. Overview

The Northern Territory Electricity System and Market Operator (NTESMO) implemented the Northern Territory Market Settlement and Transfer Solution (MSATS) on 1 July 2025 consistent with its FY2025–27 Regulatory Determination, representing a step change in Market Interaction Enablement costs.

Funding issues that arise in the FY2028–32 Regulatory Proposal include:

- The previously approved \$125,000 per year step change was not incurred in the 2024–25 audited base year and therefore must be re-established as a step change in the next regulatory period.
- Actual annual service and licence costs associated with MSATS have increased since the original proposal was prepared.
- Ongoing maintenance of NT-specific MSATS Communications Guidelines is necessary to avoid divergence from the National Electricity Market (NEM) MSATS, creating a need for recurring Australian Energy Market Operator (AEMO) support costs.
- The NT MSATS costs are incurred for customers in each regulated electricity system – Darwin--Katherine, Alice Springs and Tennant Creek – not just in the Darwin-Katherine system covered by the current regulated market operator charge.

Table 1 Annual operational expenditure (\$ millions, real FY25)

	FY28	FY29	FY30	FY31	FY32	Total
Capex	-	-	-	-	-	-
Opex	0.35	0.35	0.35	0.35	0.35	1.7
Total	0.35	0.35	0.35	0.35	0.35	1.7

This regulatory business case has been prepared on the basis of real \$FY2025 and all figures are in \$FY2025 unless otherwise stated. For the purposes of the FY2028–32 System Control and Market Operator Charges Review Initial Proposal, the annual capital and operational expenditure have also been escalated and presented in forecast \$FY2027 dollars and classified by NTESMO function and regulatory cost category as per the table below.

Table 2 Annual operational expenditure (\$ millions, real FY27)

Function	Cost Category	FY28	FY29	FY30	FY31	FY32	Total
System Control	Residual Costs	0.30	0.30	0.30	0.30	0.30	1.48
System Control	Professional Fees	0.08	0.08	0.08	0.08	0.08	0.38
Total	-	0.37	0.37	0.37	0.37	0.37	1.86

Note: Numbers may not add due to rounding.

2. Identified need

NTESMO has a regulatory obligation under S7A.1.3 of the Northern Territory National Electricity Rules (NT NER) to design and develop information systems for the exchange of metering and other information, and to develop a communication guideline setting out the details of these arrangements. This obligation is collectively referred to as NTESMO's "Market Interaction Enablement" function.

NTESMO's fulfilment of this obligation is delivered through the use of the AEMO's MSATS and associated procedures. MSATS facilitates B2B transactions between NT market participants, including service orders (connections and disconnections), metering data transfer to retailers, and customer transfers between retailers.

NTESMO adopted MSATS following a public consultation process in 2022, and the system went live on 1 July 2025. For the FY2028–32 regulatory period, two material funding issues arise.

1. Need to re-establish and update funding for MSATS service and licence fees

The Utilities Commission approved a step change of \$125,000 per year (incl. GST) for MSATS charges in the FY2025–27 Regulatory Determination. However, because MSATS only went live on 1 July 2025, this cost does not appear in the 2024–25 audited base year. As a result, the step change must be reinstated in the next regulatory period.

Since the original proposal, AEMO's finalised charging structure has increased materially. The FY2025–27 proposal was based on an indicative per-NMI weekly charge of \$0.032153 and 75,700 NMIs, and annual licence fees for participant access of \$15,000. Actual costs are significantly higher—\$275,000 per year (incl. GST) — driven by a higher per-NMI rate (\$0.04763 per week), higher NMI numbers (100,000 total of which 85,000 are in Darwin-Katherine and 15,000 in Alice Springs and Tennant Creek), and increased annual licence fees of \$27,000.

These increased charges must be funded to maintain compliance with the NT NER and ensure the MSATS platform continues to support efficient, reliable market operations.

2. Additional funding for professional fees to maintain communications guidelines

MSATS operation in the NT is supported by a Communications Guideline specifying NT-specific MSATS processes.

NEM MSATS Procedures are typically updated twice annually, requiring NTESMO to update the Communications Guideline. Regular updates are necessary to prevent divergence from NEM MSATS Procedures, which would create operational inefficiencies and compromise NTESMO's ability to utilise an NEM-aligned MSATS instance.

The benefits of maintaining alignment include:

- Ensuring guideline usability and system operability for market participants
- Avoiding the significantly higher cost of maintaining a standalone NT MSATS variant (estimated at \$1 million+ per year).

Maintaining the Communications Guideline will require external specialist support from AEMO, at an estimated cost of \$70,000 per year (incl. GST), supplemented by internal NTESMO resources.

Together, these funding requirements represent the identified need for the FY2028–32 regulatory period.

3. Options analysis

To address the identified need, NTESMO considered three options, including a base-case option, to determine the most efficient and prudent funding approach.

Table 3 provides a summary of the options.

Table 3 Options

Options	Description
Option 1: Maintain Existing Step Change Only (base case)	A -minimal change option that reintroduces the previously approved \$125,000 per year step change without accounting for increased MSATS service and licence costs or Communications Guideline maintenance.
Option 2: MSATS Service and Licence Fee Funding Only	A partially enhanced option that updates the step change to reflect actual MSATS service and licence cost increases, excluding funding for Communications Guideline maintenance.
Option 3: Fully Funded MSATS Operations and Guideline Maintenance	A comprehensive option that updates MSATS service and licence costs and funds biannual Communications Guideline updates, ensuring ongoing alignment with AEMO and NEM procedures.

3.1 Options assessment

The options are analysed based on their ability to address the identified need, regulatory defensibility, deliverability and customer outcomes.

Table 4 Summary of options analysis

Assessment metrics	Option 1	Option 2	Option 3
Capex (\$'000, real FY25)	Nil	Nil	Nil
Opex (\$'000, real FY25)	625	1,375	1,725
Meets customer expectations			
Technical Viability			
Deliverability			
Preferred			

-  Fully addressed the issue
  Adequately addressed the issue
  Partially addressed the issue
  Did not address the issue

3.1.1 Option 1 – Maintain Existing Step Change Only (base case)

Re-apply the previously approved \$125,000 per year Market Interaction Enablement step change in the FY2028–32 regulatory period with no adjustment for increased MSATS service costs or additional professional fees for Communications Guideline maintenance.

Key benefits of this option are:

- No overall increase in regulated revenues
- Simple proposal with no change from prior determination
- Low risk of immediate stakeholder resistance from higher charges.

Key detriments of this option are:

- Material under recovery of actual MSATS service and licence costs
- No funding to maintain Communications Guideline alignment, increasing divergence risk
- Risk that MSATS and Communication Guideline maintenance costs will be met through internal reallocation, resulting in diminished performance of other regulated functions.

This option does not meet NTESMO's regulatory obligations or operational needs and is not recommended.

3.1.2 Option 2 – MSATS Service and Licence Fee Funding Only

Re-apply the \$125,000 per year step change with an adjustment for increased MSATS service and licence cost, but without funding for Communications Guideline maintenance.

Key benefits of this option are:

- Lower overall increase in regulated revenues
- Simpler proposal with minimal change from prior determination
- Supports MSATS operations and participant confidence.

Key detriments of this option are:

- No dedicated resources for biannual Communications Guideline updates, sustaining divergence risk
- Risk that Communication Guideline maintenance costs will be met through internal reallocation, resulting in diminished performance of other regulated functions.

While improving cost recovery, the option does not fully address the identified need and is not preferred.

3.1.3 Option 3 –Fully Funded MSATS Operations and Guideline Maintenance

Re-apply the \$125,000 per year step change with an adjustment for increased MSATS service and licence costs and provide funding for twice-yearly Communications Guideline updates.

Key benefits of this option are:

- Fully funds actual MSATS service and licence costs (~\$275,000 per year.)
- Provides \$70,000 per year for expert support to maintain procedural alignment (biannual updates)
- Minimises risk of NT/NEM divergence, supporting stable MSATS operations and participant confidence and minimises risks that AEMO would have to charge the NT significantly more to operate a separate instance of MSATS for the NT
- Supports performance of other regulated functions.

Key detriments of this option are:

- Higher regulated opex than Options 1 and 2
- Ongoing dependency on AEMO subject matter expertise.

This option best addresses the identified need and is the recommended option.

4. Recommended option

Option 3 is recommended as the most efficient, prudent and cost-effective option to meet the identified regulatory and operational requirements, because it:

- Re-establishes MSATS costs not reflected in the FY2025 base year
- Reflects actual post-implementation experience including updated service and licence fee charges
- Includes a robust and clearly justified allowance to maintain Communications Guideline alignment with NEM procedures through twice-yearly updates¹
- Supports efficient market operations, maintains compliance, and delivers improved customer and participant outcomes.
- Reduces the risk of significantly higher charges from AMEO for maintaining a separate instance of MSATS for the NT

The expenditure associated with the recommended option is summarised in Table 5.

Table 5 Annual capital and operational expenditure (\$'000, real FY25)

	FY28	FY29	FY30	FY31	FY32	Total
Capex	–	–	–	–	–	–
Opex	345	345	345	345	345	1,73
Total	345	345	345	345	345	1,73

4.1 Strategic alignment

Power and Water's Strategic Plan has two goals – modernising our business and embracing a sustainable future with innovation.

Table 6 Alignment with Power and Water's Strategic Plan

Goal	Objective	Alignment
Modernising our business	Delivering sustainable value safely and reliably for our customers and community	Establishes a cost-reflective, enduring funding arrangement for MSATS service provision and licence fees, ensuring reliable market interactions and preventing service degradation from under-recovery.
	An empowered and high performing workforce	Provides dedicated and recurrent allowance for professional fees to maintain and update the NT MSATS Communications Guideline twice per year, enabling staff to operate with clear, current and nationally aligned procedures.

¹ Twice yearly updates are required to keep pace with the high complexity of changes AEMO are doing to their B2B procedures. This will avoid the scenario of AEMO needing to run a separate version of MSATS for the NT

	Successful investments in core systems and capability to improve efficiency and value of service	Recognises MSATS (implemented 1 July 2025) as a core market system and funds its ongoing use efficiently, leveraging national systems and avoiding unnecessary bespoke NT system development.
Embracing a sustainable future with innovation	Structuring, facilitating and enabling infrastructure and innovations that support the: • Renewable energy transition; and • Achievement of economic growth targets	Maintaining alignment with NEM MSATS procedures supports, retailer competition, and data integrity.
	Proactively adopting government policy for a clean and secure energy future	Enables NTESMO to effectively track and implement changes to NEM MSATS Procedures through regular guideline updates supporting ongoing retail competition.
	Partner with customers and stakeholders to create innovative solutions	Formalises resources for participant consultation during biannual guideline updates, strengthening transparency and stakeholder confidence.

4.2 Dependent projects

There are no direct project dependencies.

4.3 Deliverability

Delivery of the MSATS capability occurred on 1 July 2025. The recommended option relates to ongoing service funding and procedural maintenance. These activities are readily deliverable under the existing MSATS and e-Hub Services Agreement with AEMO and established internal governance processes. Procurement is through the existing AEMO MSATS and e-Hub Services Agreement.

4.4 Customer considerations

Adoption of MSATS followed public consultation with stakeholders in 2022, and ongoing engagement occurs through participant forums. In developing this proposal, NTESMO has considered customer feedback relating to reliable connections/disconnections, timely data transfers and smooth retailer transfers.

Option 3 most effectively supports these outcomes by funding both the MSATS service and the procedural maintenance needed to keep the NT aligned with the NEM MSATS.

The proposed step change for the NT MSATS was outlined in a FY2028–32 regulatory proposal stakeholder consultation paper published on 5 December 2025. In discussions at a stakeholder workshop on 11 December 2025 and through written submissions provided by 16 January 2026, the proposal was not raised as a matter of specific concern for stakeholders. This regulatory business case addresses

stakeholders general concern for proposed step changes to deliver benefits to consumers and be accompanied by a clear statement of the risk mitigated, the consequence of non-investment and measurable operational outcomes.

4.5 High-level scope

The scope of the recommended option (Option 3) covers ongoing MSATS service delivery and biannual procedural maintenance:

- Service operations: Arrange access to MSATS for new NT participants.
- Procedural maintenance: Conduct twice-yearly updates to the NT MSATS Communications Guideline to reflect NEM MSATS Procedure changes; consult participants; publish updates.
- Stakeholder engagement: Plan, conduct and document consultation for each update cycle; resolve issues; publish change notes.
- Commercials: Administer and monitor the MSATS and e-Hub Services Agreement; fund AEMO MSATS per-NMI service charges and participant licence fees
- Review: Formal review in FY2030 to confirm costs, NMI volumes and update cycle efficacy to inform NTESMO FY2033–38 Regulatory Proposal.

Appendix A. Cost estimation

Table 7 Summary of MSATS and Communication Guideline costs

Cost component	Basis	Annual cost (real FY25)
NT MSATS Service Fees	Bottom-up calculation of MSATS per-NMI service charge: \$0.04763 (incl. GST) per NMI per week × ~100,000 NMIs × 52 weeks	\$248,000
NTEM Participant Licence Fees	AEMO licence fee per participant per VPN connection per year x 3 Participants ranges from \$5,000 to \$17,000 (incl. GST)	\$27,000
NT Procedure Support Services	AEMO's FY2023-24 charge-out rates and a prudent effort profile for two update cycles per year. Work scope per update cycle: procedure review, NT tailoring, market participant consultation, and implementation support. Indicative effort by competency level (per update cycle, incl. GST)²: • Senior Leadership: 4 hrs × \$583/hr = \$2,332 • Manager / Specialist: 8 hrs × \$484/hr = \$3,872 • Principal: 12 hrs × \$385/hr = \$4,620 • Senior: 24 hrs × \$352/hr = \$8,448 • Analyst / Engineer: 40 hrs × \$330/hr = \$13,200 • Officer / Intern: 8 hrs × \$275/hr = \$2,200	Per cycle subtotal: \$34,672; two cycles per year: \$70,000

² Rates are consistent with what AEMO is charging other jurisdictions

Appendix B. Assumptions

- NMI volumes remain broadly stable at ~100,000 over FY2028–32.
- AEMO per-NMI charge and licence fees escalate in line with CPI.
- Two Communications Guideline updates per year aligned to AEMO's MSATS Procedure update cycle.
- No material change to MSATS architecture requiring NT-specific system variants (divergence avoided by ongoing alignment).

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