

Territory Electricity Market Reform Program

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

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1. Overview

On 23 October 2025, the Northern Territory Government passed the *Northern Territory Electricity System and Market Operator (NTESMO) Bill 2025* and *Electricity Legislation Reform Amendment (Market Reform) Bill 2025* to establish NTESMO as a standalone statutory corporation and provide it with new central planning and procurement functions under the Territory Electricity Market (TEM) Reform Program. The Bills received assent and became Acts on 30 October 2025.

The new legislation introduces transformational changes in how NTESMO will operate, including;

- **Separation of NTESMO and Power and Water** – NTESMO will be established as a statutory corporation to perform its new functions with transparency and market integrity, this will include the appointment of a separate board of Directors.
- **Centralised planning (new function)** – NTESMO will perform centralised system planning by producing a Regulated Electricity System and Investment Plan (RESIP) periodically. This will guide new electricity infrastructure development in the regulated electricity systems of Darwin-Katherine, Alice Springs and Tennant Creek.
- **Centralised procurement (new function)** – NTESMO will undertake centralised system procurement in the DKES which will introduce efficiencies in the system and reduce contracting risk.
- **Updated settlement system (enhanced function)** – Settlement will transition from the current virtual settlement to a traditional cash settlement whereby NTESMO will manage the credit risk of the Darwin-Katherine Electricity System (DKES) using a prudential framework.-Katherine Electricity System (DKES) using a prudential framework.
- **Revised scheduling and dispatch process (enhanced function)** – NTESMO will revise the process to include increased generation and new technologies, including batteries and synchronous condensers, as well as optimise dispatch to achieve lowest cost security constrained outcomes based on the specification of new unbundled Essential System Services.

The Government is targeting the completion of the market rules to underpin the reform program by the end of 2026 and the separation of NTESMO from Power and Water by mid-2027. In line with these timeframes, TEM reform design and implementation costs are expected in the current FY2025–27 regulatory period, and ongoing costs to be incurred in the FY2028–32 regulatory period.

Approach to forecasting TEM reform costs

On the basis of formal advice from the Utilities Commission (the Commission), this business case includes expenditure for both **implementation** and **ongoing costs**, meaning the proposed expenditure will cross between the **current (FY25-FY27)** regulatory period and **the next** regulatory period (**FY28-32**)

To the extent there is sufficient information on new obligations to forecast efficient costs, NTESMO will include the costs in its Initial Regulatory Proposal. Where efficient costs cannot be reasonably forecast until further detail is provided through regulations or rules, NTESMO will include these costs in its Revised Regulatory Proposal.

Where rules and regulations have not been made in time to inform NTESMO's revised regulatory proposal, a cost pass through will be considered.

This approach has been taken to balance transparency and certainty.

Consistent with the above position, the NTESMO Initial Proposal includes only those TEM Reform costs that can be reasonably forecast at this stage, supported by bottom-up assumptions that can be made with reasonable confidence based on the legislation as passed. These costs are presented in Table 1.

This forecast includes costs relating to resourcing to support implementation, employment of a board and executive and development of an updated settlement system which have been included for cost recovery.

It is important to note the forecast includes a \$5.0 million (real \$FY2025) negative step change to address the reduction in NTESMO's corporate overheads from no longer sharing certain sensitive corporate functions with Power and Water.

Table 1 Initial Proposal (reasonable forecast) TEM reform capital and operational expenditure (\$m, real 2025)

	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Total
Capex	-	-	0.7	0.2	0.2	0.1	-	1.2
Opex	-	-	3.5	2.9	2.9	2.9	2.9	15.1
Corporate overhead savings (opex)	-	-	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(5.0)
Pass-through	0.1	5.3	-	-	-	-	-	5.4
Total	0.1	5.3	3.2	2.1	2.1	2.0	1.9	16.7

Note: totals may not add due to rounding

This regulatory business case was 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 as per the table below.

Table 2 Initial Proposal (reasonable forecast) TEM reform capital and operational expenditure (\$m, real 2027)

	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Total
Capex	-	-	0.7	0.2	0.2	0.1	-	1.3
Opex	-	-	3.7	3.1	3.1	3.1	3.1	16.1
Corporate overhead savings (opex)	-	-	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(5.3)
Pass-through	0.1	5.6	-	-	-	-	-	5.7
Total	0.1	5.6	3.4	2.2	2.2	2.1	2.0	17.8

Note: totals may not add due to rounding

TEM Reform total cost estimate

As indicated above, to provide greater transparency, NTESMO has included an early view of the potential total costs of the TEM Reforms. Elements of this estimate are highly uncertain and not yet sufficiently developed to support a request for cost recovery. For this reason and as above-mentioned, the total cost has not been formally included in the Initial Proposal, but instead only a subset of the forecast costs that can be estimated with reasonable confidence.

Our current forecast total expenditure for TEM Reform is \$44.3 million across the current period and FY2028–32. This includes costs that form part of the pass-through claim for the current period, forecast costs included in this Initial Proposal for the FY2028–32 regulatory period, and our preliminary estimate of other potential reform costs that may arise in the current FY2025–27 and upcoming FY2028–32 regulatory periods. NTESMO will continue to develop robust cost estimates ahead of the Revised Proposal as relevant rules and regulations are finalised. Consistent with the Commission’s advice, if TEM Reform rules and regulations are not made in time to inform the Revised Proposal, a further cost-pass-through claim will be pursued in the FY2028–32 regulatory period.

2. Identified need

On 4 September 2025, the Minister for Mining and Energy announced the reforms to the NT electricity market and on 23 October 2025, the Northern Territory Government passed the *Electricity System and Market Operator (NTESMO) Bill 2025* and *Electricity Legislation Reform Amendment (Market Reform) Bill 2025* to establish NTESMO as a standalone entity and provide it with new central planning and procurement functions under the TEM Reform Program. The Bills received assent and became Acts on 30 October 2025.

The separation of NTESMO from Power and Water is proposed for 1 July 2027, with the new functions to commence in the 6 months following separation. The key features of the reforms are:

- **Separation of NTESMO and Power and Water** – NTESMO will be established as a statutory corporation to perform its new functions with transparency and market integrity, this will include the appointment of a separate board of Directors.
- **Centralised planning (new function)** – NTESMO will perform centralised system planning by producing a Regulated Electricity System and Investment Plan (RESIP) periodically. This will guide new electricity infrastructure development in the regulated electricity systems of Darwin-Katherine, Alice Springs and Tennant Creek.
- **Centralised procurement (new function)** – NTESMO will undertake centralised system procurement in the DKES which will introduce efficiencies in the system and reduce contracting risk.
- **Updated settlement system (enhanced function)** – Settlement will transition from the current virtual settlement to a traditional cash settlement whereby NTESMO will manage the credit risk of the Darwin-Katherine Electricity System (DKES) using a prudential framework.
- **Revised scheduling and dispatch process (enhanced function)** – NTESMO will revise the process to include increased generation and new technologies, including batteries and synchronous condensers, as well as optimise dispatch to achieve lowest cost security constrained outcomes based on the specification of new unbundled Essential System Services.

The Department of Mining and Energy outline the expected benefits of the reform, as including:

- Centralised whole-of-system planning will help coordinate the future development of electricity infrastructure by determining the appropriate size, type, location and timing of assets required to keep the grid stable and reliable while accommodating consumer uptake of behind the meter solar
- Centralised procurement and contracting in the DKPS will maximise bulk buying power, reducing contracting risk and bringing efficiencies into the system
- Improved governance arrangements and clarity of entity roles and responsibilities will provide central policy coordination and enhance transparency and market integrity¹

NTESMO is required to ensure compliance with the legislation. Non-compliance with the legislation is not an option and could result in:

- Financial penalties, loss of its license to operate in the market and reputation damage with Market Participants

¹ [Reforms | Department of Mining and Energy](#)

- Material adverse impacts on operational functional capability particularly in the areas of settlement, scheduling and dispatch
- Loss of customer benefits sought by the Northern Territory Government through the rule changes.

NTESMO's identified need, therefore, is to ensure timely compliance with the legislation, to ensure continued compliance with its legal and regulatory obligations.

3. Options analysis

To address the identified need, we considered three options which are outlined in Table 3.

To assess the options, an options assessment was undertaken. This analysis considered costs and risks/benefits, including customer expectations, technical viability and deliverability.

Option 1 was deemed unviable as it would not enable compliance with the legislation. Option 2 involves separating NTESMO with Power and Water with Service Level Agreement (SLA) support to carry out select shared services. Option 3 involves separation with no SLA support.

Option 2 is the preferred option, balancing costs (affordability) with meeting the compliance obligations.

Table 3 Summary of options analysis outcome

OPTIONS	DESCRIPTION
Option 1: maintain status quo	Do not comply with the legislative and regulatory change.
Option 2: separation with SLA support	Option 2 includes separation of NTESMO with Power and Water with (SLA) support. SLA support allows for Power and Water to provide corporate services on behalf of NTESMO that would not have a perceived or actual conflict of interest (i.e. human resources, ICT, operational technology, regulation, facilities, records management).
Option 3: separation with no SLA support	Option 3 includes separation from Power and Water with no SLA support. This requires in-housing or third-party provisions for all corporate services, systems and technologies.

3.1 Options assessment

This section describes the options that were analysed. The options are analysed based on the ability to address the identified need.

Table 4 Summary of options analysis framework (\$millions, real FY2025)

ASSESSMENT METRICS	OPTION 1	OPTION 2	OPTION 3
Capex	-	1.7	86.0 ²
Opex	-	47.6 ³	100.0 ⁴
Meets customer expectations	Non-viable	●	◐

² Based on EMS: \$25m, OMS: \$25m, record management system: \$4m, financial management system: \$10m, server room: \$20m, settlement system: \$1.7m

³ Note, this figure does not include the negative step change

⁴ Based on either internalising corporate functions or getting a third party to provide the service: Additional \$20m per year (\$100m over 5 years)

Technical viability	Non-viable	●	◐
Deliverability	Non-viable	●	○
Preferred	x	✓	x

- Fully addressed the issue ◐ Adequately addressed the issue ◑ Partially addressed the issue ○ Did not address the issue

3.1.1 Option 1 – maintain status quo

Option 1 is deemed unviable, as it would not enable compliance with the legislation changes. Under the maintain status quo scenario, we would not pursue obligations such as an updated settlement system, centralised planning or centralised procurement, a revised scheduling dispatch process or any type of separation of NTEMO from Power and Water.

3.1.2 Option 2 – separation with SLA support

Option 2 addresses compliance with the new legislation and ring-fencing requirements, while meeting the NT Government's reform timeline.

In line with the intent of the reform, option 2 separates NTESMO and Power and Water for the purpose of performing its new functions (centralised planning and centralised procurement) with transparency and market integrity. Option 2, however, also balances costs by continuing to share some corporate services to maintain some existing efficiencies and avoiding further separation costs.

Table 5 outlines the corporate functions and the entity proposed to provide the service following the separation of NTESMO from Power and Water⁵. The services which are being proposed to be provided with complete separation by NTESMO include sensitive corporate functions that would otherwise not comply with ring-fencing obligations. This will mean NTESMO will have a reduction in allocated corporate overheads from no longer sharing the listed sensitive corporate functions with Power and Water. This reduction has been incorporated into the proposed expenditure for the TEM reform.

Table 5 Proposed corporate service provider

CORPORATE SERVICE	POWER AND WATER	NTESMO
Information, communication and technology	●	
Operational technology	●	
Cyber-security	●	
Metering	●	

⁵ The proposed corporate services to be provided by Power and Water are subject to approval from NTESMO's Board, once appointed.

Human resources/organisational development	●	
Legal		●
Corporate affairs		●
Records management		●
Risk, compliance and audit		●
Health, safety and environment	●	
Customer service	●	
Strategy and planning		●
Enterprise portfolio management	●	
Facilities	●	
Supply chain and strategic sourcing	●	
Finance services	●	
Regulation, economics and pricing	●	
Emergency management	●	
Contract management		●

3.1.3 Option 3 – separation with no SLA support

Option 3 is compliance with complete separation between NTESMO and Power and Water. Complete separation includes the separation of all corporate services (as listed in Table 5) as well as all systems and technologies.

This would include systems such as an Energy Management System (EMS), records management system, outage management system and the financial management system. In addition to this, there would be a large uplift in resources to perform corporate service functions, requiring additional facility requirements.

This option is prohibitively expensive and is not deliverable to NT Government timeframes.

4. Recommended option

The options analysis presented in the previous section has identified *Option 2 – Separation with SLA support* to be the most prudent to meet the identified need.

Table 6 presents **total** TEM reform costs, which include capital and operating expenditure. As shown, the total expenditure includes a negative cost (benefit) to acknowledge the reduction in NTESMO's allocated corporate overheads from no longer sharing the abovementioned sensitive corporate functions with Power and Water.

Table 6 Annual capital and operational expenditure (\$m, real FY2025)

	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Total
Capex		-	0.7	0.2	0.2	0.1	-	1.2
Opex	-	-	9.2	7.9	7.9	7.9	7.9	40.8
Corporate overhead savings (opex)	-	-	-1.0	-1.0	-1.0	-1.0	-1.0	- 5.0
Pass-through	0.1	7.2	-	-	-	-	-	7.3
Total	0.1	7.2	8.9	7.2	7.2	7.1	7.0	44.3

The approach to meet compliance can be split into two stages – implementation and ongoing activities. As shown in the figure below, implementation activities will be largely in the FY2025–27 regulatory period, with ongoing activities incurred starting from FY2028–32 regulatory period.

Figure 1 TEM reform implementation

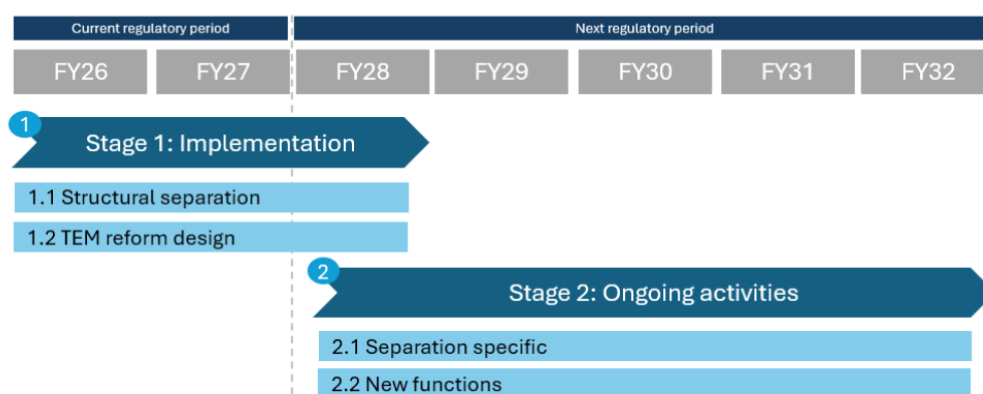


Table 7 outlines the forecast **implementation** costs. Implementation costs are broken down into:

- Structural separation – Review and advice on legal and regulatory matters, resources to support implementation, including an interim chair and CEO, reviewing and establishing NTESMO governance

framework and organisational structure, establishing new processes and procedures to manage risks, compliance, ICT, financial and other key matters, splitting accounts from Power and Water, as well as matters pertaining to a successful establishment of NTESMO, including assurance reviews.

- Reform design – Changes to processes and procedures for scheduling and dispatch and essential system services to accommodate new technologies and reformed legislation, as well as establishing new processes, procedures and frameworks for the NTESMO's new functions and the enhanced settlement system.

Table 7 Implementation operating costs (\$m, real FY2025)

	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Total
Structural separation	0.1	4.9	0.4	-	-	-	-	5.4
Reform design		2.7	0.2	-	-	-	-	2.9
Total	0.1	7.6	0.6	-	-	-	-	8.3

Table 8 outlines the forecast **ongoing costs**. Ongoing costs are broken down into:

- Structural separation – Personnel costs for required corporate roles, new software licences (where NTESMO is unable to use Power and Water's), additional corporate overhead allocation for the new resources required to operate NTESMO, including insurance and ICT systems and services, as well as accommodation leasing and facility costs.
- Centralised system planning – through the development of the RESIP. The RESIP defines the investment requirements of the NT power system to meet demand and the requirement for Essential System Services.
- Centralised system procurement – to meet system demand and Essential System Services requirements through a competitive wholesale tender process.
- Settlement system – Enhanced market settlement that will entail settling the monetary exchanges between market participants through cash and prudential management.

Table 8 Ongoing costs (\$m, real FY2025)

	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Total
Structural separation	-	-	4.8	4.8	4.8	4.8	4.8	23.9
New functions (central planning, central procurement, settlement)	-	-	3.2	3.2	3.2	3.2	3.2	15.8
Total	-	-	7.9	7.9	7.9	7.9	7.9	39.7

Further breakdown of the costs, including detailed assumptions are presented in Appendix A and Appendix B.

4.1 Strategic alignment

The “Power and Water Corporation Strategic Direction” is to meet the changing needs of the business, our customers and is aligned with the market and future economic conditions of the Northern Territory projected out to 2030.

This proposal aligns with Asset Management System Policies, Strategies and Plans that contributes to Power and Water’s strategic direction, as outlined in the table below.

Table 9: Strategic direction

GOAL	OBJECTIVE	IMPACT
Modernising our business	Successful investments in core systems and capability to improve efficiency and value of service	Reforms to the NT electricity market and systems will deliver secure and reliable electricity to Territorians at least cost
Embracing a sustainable future with innovation	Proactively adopting government policy for a clean and secure future	Improved governance arrangements and clarity of roles and responsibilities will provide central coordination and enhance transparency and market integrity

4.2 Dependent projects

NTESMO’s implementation and delivery of its responsibilities is subject to the following:

- The NT Government delivering its policy design, supporting regulations and TEM rules by the end of 2026.
- Funding to support implementation and the purchase and commission of new systems (e.g. settlement system, system planning modelling requirements).
- Power and Water providing the IT and OT platforms and operating infrastructure to host and enable operation of the control systems and tools that have been and will be developed and implemented by NTESMO.
- The execution of service level agreements for the provision of services for the operation of NTESMO as a standalone independent statutory corporation. The service level agreements include:
 - Information, communication and technology, operational technology and real time-system services.
 - Finance business services
 - Customer service
 - Facilities and strategic sourcing
 - Human resources and organisational development
 - Regulation and commercial
 - Metering services
 - Health and safety
 - Emergency management
 - Contract management

4.3 Delivery

The delivery plan for the recommended option is detailed in Figure 2. It is split into NTESMO separation and market implementation. The delivery plan has been based on the NT Government developing the TEM rules by the end of 2026, and separation occurring at the proposed date of 1 July 2027. As mentioned above, the delivery of the TEM reform is highly dependent on the NT Government delivering against its timeline for the market design and rules development.

Figure 2 TEM reform delivery plan

[illegible]

ACTIVITY	2025			2026												2027												2028					
	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J
SETTLEMENTS																																	
Planning and governance																																	
Design and functional specification																																	
Procurement and contracting																																	
Recruiting and resourcing																																	
Stakeholder engagement																																	
Preparation and implementation																																	
System go-live																																	
CENTRALISED SYSTEM PLANNING																																	
Design and governance																																	
Resource plan development																																	
System requirements plan																																	
Implementation																																	
Functional go-live																																	
CENTRALISED PROCUREMENT																																	
Design and governance																																	
Contract framework development																																	
Develop procurement process																																	
Investment planning																																	
Implementation																																	
Functional go-live																																	
Post implementation review																																	

4.4 Customer considerations

To inform NTESMO's FY2028–32 Initial Regulatory Proposal, NTEM SO developed a [Consultation Paper](#), which outlined early positions on a range of key areas and sought feedback from stakeholders. The workshop has held on 11 December 2025. During this workshop session, the key changes arising from the legislation change were presented, as well as summarising the proposed approach to managing the uncertainty given the timing of NTESMO's Initial Regulatory Proposal.

Three submissions were received on NTESMO's consultation paper. Two submissions, from Territory Generations and Jacana Energy, directly respond to matters pertaining to the TEM reform program. These submissions have been summarised below as well as our proposed approach outlined responding to stakeholder feedback.

Table 10 Summary of stakeholder feedback

STAKEHOLDER FEEDBACK		OUR RESPONSE
Do you have any questions regarding the impacts on NTESMO arising from the TEM reforms?		
TGen	- Which reform activities will be recovered through regulated charges versus government funding? - How transitional duplication between legacy arrangements and new structures will be avoided? - How cost overruns or scope changes will be managed from a regulatory perspective? Given the significant impact on NTESMO's corporate costs from separation, it appears to be premature to commence this current consultation prior to the inclusion of the TEM reform cost impacts	The mechanism by which NTESMO's TEM reform-related costs may be recovered are the FY2028–32 System Control and Market Operator Charges Review. This business case aims to provide transparency on the current understanding of total costs. The transitional duplication will be managed through the Territory Electricity Market Reform Program. Regarding cost overruns or scope changes, NTESMO is regulated under an ex-ante funding mechanism, meaning the Commission will review and approve our TEM reform for the FY2028–32 regulatory period, prior to costs being incurred. In certain instances, the Commission's regulatory framework will allow for ex-post review of material changes in expenditure, however, it is up to the discretion of the regulator.
Jacana	Jacana Energy would find it beneficial if both a pre and post reform business structure could be provided to support understanding the future operating model / size of NTESMO when compared to the pre-reform state	The additional FTEs included in NTESMO's expenditure forecast are outlined in Appendix A: Cost estimation. In terms of specific organisation structure, this will be resolved through a combination of the 1. appointment of the NTESMO Board and Executive

		2. progression of the TEM Reform Program and 3. progression of the NTESMO regulatory submission FY2028–32 to the Utilities Commission.
Do you have any suggestions on how NTESMO can accommodate the reform efficiently?		
TGen	Territory Generation recommends: • Clear reform program governance with defined milestones; • Transparent tracking of reform costs against approved budgets; • Implement a transition cost tracker with quarterly reporting: forecast vs actual, drivers of variance and mitigations; • Preference for scalable, fit for purpose solutions over bespoke or over-engineered systems.	Power and Water is implementing the required governance processes to support a prudent and efficient implementation of the reform program, Including: • Defined workstreams with specific deliverables and milestones, to be updated as policy development progresses. • Reform specific reports for submission to Power and Water/NTESMO's Board and executives, the Electricity Reform Taskforce, the Utilities Commission and relevant ministers. • Seeking recovery through NTESMO's FY2028–32 regulatory proposal process, providing transparency on the proposed costs and activities. • A specific reform implementation team leveraging existing internal resources and subject matter expertise.
Jacana	Jacana Energy appreciates that there are uncertainties regarding the cost of market reform and that when NTESMO's revenue determination is approved, there will still be unknown market reform costs. It could be beneficial within the regulatory proposal to summarise the known and unknown costs of market reform, along with the expected timing for the unknown costs to be quantified. Any indication that can be provided for the unknown costs would be beneficial for market participants to understand what the future additional costs may look like.	We agree with Jacana's recommendations. While this business case provides the current view of the total forecast costs for the TEM reform program, the proposed expenditure in the Initial Proposal will only include costs whereby sufficient information exists to reasonably forecast them. The remaining expenditure will be included in NTESMO's Revised Regulatory Proposal once rule and regulations and have been drafted. Please see Appendix B for detail on our key cost assumptions. Each cost assumption is assigned as a 'reasonable' forecast or a 'preliminary' forecast. Only the 'reasonable' forecasts are included in our Initial Proposal to the Commission.

Do you agree with the proposed approach to including reform costs in the Regulatory Proposal?		
TGen	Territory Generation supports separate identification of reform costs, provided: • Costs are clearly categorised as transitional or enduring with a clear cost category map; • There is a mechanism to revisit costs if reform scope materially changes; • Stakeholders are not exposed to reform costs that do not directly support system or market operation.	• Costs will be separated into implementation and ongoing categories, with separation and design/new functions being a subset to those. • The scope of the reform program will be finalised during the NT Government's policy design and TEM rules development. This will support input into NTESMO's revised regulatory proposal for submission in February 2027. • Reform costs included in the regulatory proposal are being included in an efficient and prudent manner, to meet NTESMO's new regulatory obligations.
Jacana	Jacana Energy agrees that reform costs should be included within the Regulatory Proposal. Our preference is that reform costs are ringfenced from other costs so that the cost of market reform is clear and transparent. Jacana Energy's preference would be recovery of market reform costs via fixed monthly invoices.	We have addressed Jacana's recommendation. TEM reform costs will be separated from 'business-as-usual' costs in NTESMO's FY2028–32 Initial Regulatory Proposal. .

NTESMO will report to key stakeholders on implementation progress of the TEM reform program, with a standalone report specific to the separation of NTESMO from Power and Water. Reports and regular updates will be provided to:

- Power and Water's Regulation and Market Operations Steering Committee (executive level committee)
- Power and Water's System Control, Market Operations and Regulation Committee (Board sub-committee)
- NT Government's Electricity Reform Taskforce
- Energy Sub-committee of Cabinet
- Treasurer (shareholding Minister), Minister for Essential Services (portfolio Minister) and the Minister for Mining and Energy (as the minister responsible for the TEM reform policy decisions)
- Once appointed, NTESMO's Board and Chief Executive Officer; and the Utilities Commission.

Further, as the policy maker, the NT Government is responsible for consulting with industry on developments and decisions relating to the TEM reform program. Power and Water and NTESMO were consulted during development of the draft Bills. In response, the NT Government advised that much of the feedback provided will be addressed in the TEM rules. The Industry Reference Group has been reestablished as the forum to regularly consult with stakeholders on the detailed design and reform elements.

4.5 Impact assessment

Power and Water's Executive Leadership Team has endorsed support leads from key areas that will be required to support the implementation of the TEM reform program. These functional areas are outlined in the table below.

BUSINESS UNIT	FUNCTION
Safety, People and Governance	▪ People services, human resources, change management
	▪ Legal
	▪ Corporate affairs
	▪ Health and safety
	▪ Risk, compliance and audit
Customer and Strategy	▪ Customer, experience and operations
Water Services	▪ 24-hour crew dispatch
Power Services	▪ Network planning and design
	▪ 24-hour crew dispatch
Core Operations	▪ Technology and systems (ICT)
	▪ Operational technology
	▪ Metering services
	▪ NTESMO
Finance and Business Services	▪ Facilities
	▪ Strategic sourcing
	▪ Finance
	▪ Regulation and Commercial

An implementation committee has been established to oversee the governance and implementation of the TEM reform program. The committee includes members across key areas that will be impacted by the TEM reform program: Regulation, finance, ICT, Power Services, NTESMO. A representative from the Department of Mining and Energy is a standing member on the committee.

Structural separation

There are 26 high-level activities that have been identified to implement the separation of NTESMO from Power and Water. Of these activities:

- 20 require funding
- 6 are proposed to be completed in-house with support of relevant functions/teams

The activities that are proposed to be completed at no additional cost include enterprise agreement negotiations, Security of Critical Infrastructure Act requirements, critical spares, cyber-security readiness, contract and document management and records management requirements.

A NTESMO Separation sub-committee to Power and Water's Joint Consultative Committee has been established to consult with union stakeholders to enable the successful implementation and separation of NTESMO from Power and Water. The sub-committee is chaired by the Executive General Manager Core Operations, and includes representatives from NTESMO, human resources and relevant unions.

A functional capability review was completed to assess capability and capacity across NTESMO, benchmarked against leading Australian and international operators. This review was carried out in the context of NTESMO's capability to perform its functions now and in the foreseeable future.

The review report outlines recommendations to ensure NTESMO can deliver on its current obligations and scale to meet future reform requirements.

New functions

In preparation for establishing its new functions, NTESMO has, or is completing reviews to support the successful implementation of new or enhanced functions.

A system planning framework was developed, which was based on similar processes in the National Electricity Market (NEM) and the WA Wholesale Electricity Market (WEM), while considering the unique characteristics of the NT electricity system and lessons learnt from the current Regulated Electricity System and Investment Plan (RESIP) process led by NTESMO.

The system planning review outlined the recommended system planning process, roles and governance, as well as resource requirements to complete the planning cycle.

The public procurement model review includes a detailed design of the recommended model and associated market arrangements, as well as developing contract models. The scope of work includes reviewing procurement process options and models, procurement of new capacity, a gap analysis, and the investment plan

In addition to these activities, the review is also looking at the recommended integration for scheduling, dispatch and settlement of the Darwin Katherine Power System, including processes, inputs, energy flow and cost models and capacity.

4.5.1 RISKS

The table below outlines the risks identified for implementing NTESMO's TEM reform activities.

[illegible]

Risk ID	Risk description	Cause	Inherent consequence	Inherent likelihood	Inherent risk rating	Mitigating controls	Residual consequence	Residual likelihood	Current residual risk rating
■	■	■	■	■	■	■	■	■	■
■	■	■	■	■	■	■	■	■	■
■	■	■	■	■	■	■	■	■	■

Risk ID	Risk description	Cause	Inherent consequence	Inherent likelihood	Inherent risk rating	Mitigating controls	Residual consequence	Residual likelihood	Current residual risk rating
■	■	■	■	■	■	■	■	■	■
■	■	■	■	■	■	■	■	■	■
■	■	■	■	■	■	■	■	■	■

Risk ID	Risk description	Cause	Inherent consequence	Inherent likelihood	Inherent risk rating	Mitigating controls	Residual consequence	Residual likelihood	Current residual risk rating
■	■	■	■	■	■	■	■	■	■
■	■	■	■	■	■	■	■	■	■
■	■	■	■	■	■	■	■	■	■

Appendix A. Cost estimation

A.1 Implementation costs

A.1.1 Structural separation

Table 11 outlines the one-off implementation costs for **structural separation**. As shown, structural separation will largely occur in FY2027 in line with Government timelines.

Table 11 Structural separation (\$, real FY2025)

COST CATEGORY	DESCRIPTION	2025/26	2026/27	2027/28
Legal	Review of regulations and legislation, service and transitional service agreements, asset register and transfer advice, employee agreements		390,000	
Technical advice and financial modelling	Licencing electricity system control, transfer costs, splitting of financial accounts, chart of accounts review		875,000	
Personnel	Resources to support implementation of separation, including interim Board Chair and CEO	120,000 ⁶	1,858,500 ⁷	400,000 ⁸
Travel	Provision of travel for Board Chair		40,000	
Branding and communication	Communication strategy, develop forms and templates, branding		265,000	
Corporate overheads	Governance framework, facility requirements, records management, ICT requirements and systems, contract and document management, compliance, risk and audit		1,462,500	
TOTAL EXPENDITURE		120,000	4,891,000	400,000

A.1.2 TEM reform design

Table 12 outlines the one-off costs for **reform design implementation**. As shown, reform design implementation will largely occur in FY2027 in line with Government timelines.

⁶ This is an estimate only as NTESMO does not know the remuneration of the Chair or CEO, or when they will be appointed.

⁷ This estimate is based on two ongoing FTEs (CEO and Board Chair) as well as 8 temporary FTEs required for structural separation in this year

⁸ This estimate is based on 2 temporary FTEs required for structural separation in this year

Table 12 Reform design implementation (\$, real FY2025)

WORKSTREAM	DESCRIPTION	2025/26	2026/27	2027/28
Scheduling and dispatch	Updates to rules, merit order formulation, co-optimisation of energy and ESS, Requirements for scheduling and dispatch system, treatment of new energy types		400,000	
ESS	Implement the Power System Security and Reliability framework presented to the Industry Reference Group meeting on 6 June 2024		200,000	
Settlement	Settlement system enhancement requirements and reformed governance framework and processes, including enhancements to the dispatch system.		950,000	
Procurement design	Tender process design, contract template development and tender response evaluation methodology		450,000	
System planning	Review requirements for software vendors and hardware design. Design of the governance framework and regulatory requirement for securing data and data security. Enhancements to the existing methodology design. Asset management capability		400,000	
Alice Springs and Tennant Creek	Review single supplier model, update policies and procedures to meet obligations relating to performing the system operator function.		0	
Regulatory drafting and review	Consultancy and legal fees to review and drafting of regulations that will underpin the reform legislation and rules		300,000	
Post implementation review	Assurance review for new and enhanced functions			200,000
TOTAL EXPENDITURE		-	2,700,000	200,000

A.2 Ongoing expenditure

A.2.1 Separation specific

Table 13 outlines the ongoing costs for separation of NTESMO and Power Water Corporate (with SLA support). Ongoing expenditure will first be incurred in FY2028.

Table 13 Separation specific (\$ real FY2025)

COST CATEGORY	COST ITEM	2027/28	2028/29	2029/30	2030/31	2031/32
Personnel	Personnel costs	2,196,000 ⁹	2,196,000	2,196,000	2,196,000	2,196,000
ICT	Power factory licence, ICT service and system provision, records management, compliance	1,382,450	1,382,450	1,382,450	1,382,450	1,382,450
Other	Internal services and facilities	378,400	378,400	378,400	378,400	378,400
Professional fees	Insurance, risk and audit	747,000	747,000	747,000	747,000	747,000
Travel	Travel	75,000	75,000	75,000	75,000	75,000
	Total	4,778,850	4,778,850	4,778,850	4,778,850	4,778,850

A.2.2 New functions

Table 14 outlines the ongoing costs for the new functions of NTESMO¹⁰. Ongoing expenditure will first be incurred in FY2028.

Table 14 New functions (\$, real FY2025)

DESCRIPTION	2027/28	2028/29	2029/30	2030/31	2031/32
Professional fees	800,000	800,000	800,000	800,000	800,000
ICT	737,500	737,500	737,500	737,500	737,500

⁹ This cost estimation is based on 17 additional ongoing FTEs required

¹⁰ As per TEM reform, new NTESMO functions include centralised planning, centralised procurement, a revised scheduling and dispatch process and an updated settlement system

Personnel costs	1,487,000 ¹¹	1,487,000	1,487,000	1,487,000	1,487,000
Training	20,000	20,000	20,000	20,000	20,000
Travel	24,500	24,500	24,500	24,500	24,500
Other	100,980	100,980	100,980	100,980	100,980
TOTAL EXPENDITURE	3,169,980	3,169,980	3,169,980	3,169,980	3,169,980

¹¹ This cost estimate is based on 9 additional ongoing FTEs required for NTESMO's new functions

Appendix B. Assumptions

This section presents costs broken down into key activities and underlying assumptions. This section also indicates where NTESMO's forecast costs are a reasonable forecast¹², or a preliminary forecast¹³. This reflects the UC's request to provide clarity on which costs are less certain due to lack of information.

Please note, all forecast costs to comply with the TEM reform program are outlined below. However, **only** costs with **reasonable forecast** ratings (as indicated in the tables below) are included in NTESMO's FY2028–32 Initial Regulatory Proposal.

In terms of overall assumptions, the following apply:

- The premise of separation of NTESMO is that the provision of services provided by Power and Water are mandatory in the circumstances that the denial of services would jeopardise the performance of functions of NTESMO. Over time the provision of services will be provided on the basis of Service Level Agreements whose core objective is the balance between the quality and commerciality of the provision of services by Power and Water to NTESMO
- Adequate resourcing is provided to NTESMO to support implementation of the TEM reform program
- Resourcing is based on internal resourcing remuneration. If labour hire or consultants are required, this will incur additional costs. The number of required resourcing is based on an external review by CutlerMerz
- Sufficient time is afforded to deliver specific activities
- The NT Government does not deviate from the market design in the Gateway Review report that it approved in June 2025.

¹² Reasonable forecast is an activity that is required to meet NTESMO's interpretation of compliance, with the cost estimate based on a recent and similar engagement or budget

¹³ Preliminary forecast is an activity that is subject to confirmation for compliance and/or cost requires further review and investigation

B.1

B.1 Implementation

B.1.1 Structural separation

outlines the one-off implementation costs for structural separation. Table 15 Structural separation (\$, real FY2025)

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
Professional fees	Review and advice on regulatory and legislative amendments	Budget allocation to capture legal fees for licences/approvals, director registration, ASIC compliance, review and assurance during development of the TEM rules etc. This will ensure adequacy of content and provide assurance to NTESMO's directors that NTESMO understands its obligations. Cost estimate provided by Power and Water's General Counsel, based on recent similar activities. Activities are expected to occur throughout development of the TEM rules and supporting regulations until 30/06/2027.	200,000	Reasonable forecast	System Control
Professional fees	Transitional service agreements/service level agreements	Legal review of 10 service level agreements. An FTE has also been allocated in personnel costs to manage development of service level/transitional agreements. Cost estimate provided by Power and Water's General Counsel, based on recent similar activities. Legal requirements will commence once corporate service provisions between Power and Water and NTESMO are confirmed, and are to be implemented by 30/06/2026.	50,000	Reasonable forecast	System Control

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
Professional fees	Asset register and contract transfer advice	Investigate, report and develop an asset register for NTESMO to ensure all NTESMO items have transferred to new entity (incl. phones, laptops). Stamp duty on transfer of ownership has not been budgeted. Advice on contract changes/renegotiations from Power and Water to new entity to ensure compliance and mitigation of issues. Cost estimate provided by Power and Water's General Counsel, based on recent similar activities. To be completed by 30/06/2027.	110,000	Preliminary forecast	System Control
Professional fees	Employee agreements	Legal firm to review and provide advice on employee agreements and to ensure transfer is completed effectively and with assurance. Cost estimate provided by Power and Water's General Counsel, based on likely requirements. To be completed by 30/06/2027.	30,000	Preliminary forecast	System Control
In-housed	EBA and contract development	NTESMO will remain a part of Power and Water's enterprise agreement without any change. Power and Water's next enterprise agreement is for the period 2026-2029.	0	Reasonable forecast	System Control

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
Personnel	Resourcing to support implementation	8 FTE in total¹⁹ Estimate based on internal resource rates. If labour hire is engaged the cost will increase. Each role is for 12 months, finishing on 30/06/2027. Roles that underpin implementation are: ▪ Reform Program Principal ▪ Project coordinator ▪ Comms and change resource ▪ HR business partner and employee relations ▪ SLA development and implementation ▪ Policy and compliance obligations review ▪ IT and OT specialist²⁰ ▪ Regulatory review of legislation and reg changes.	1,408,500	Reasonable forecast	System Control
Personnel	Resourcing to support post separation	2 FTE in total²¹ Estimate based on internal resource rates. If labour hire is engaged the cost will increase.	200,000	Reasonable forecast	System Control

¹⁹ These positions will be defined in a resource plan currently under development

²⁰ A material body of work is required to support the separation of IT and OT, including novation of contracts to allow NTESMO to continue using Power and Water's systems post separation

²¹ These positions will be defined in a resource plan currently under development

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
		Resourcing to support post separation activities for no more than 6 months.			
Personnel	Interim Board Chair and CEO (FY2026)	Provision for interim Board Chair and CEO appointment in FY2026. Estimate is based on the appointment for Q4/FY2026.	120,000	Reasonable forecast	System Control
Personnel	Interim Board Chair and CEO (FY2027)	Interim Board Chair and CEO appointed for FY2027. Remuneration based on Jacana Energy's remuneration for the same roles.	450,000	Reasonable forecast	System Control
Travel	Travel (Board)	Board Chair travel provision for FY2027.	40,000	Preliminary forecast	System Control
Professional fees	Organisational design development, including capability model and internal versus external corporate support services (e.g. HR, finance, legal, facilities, compliance)	A consultant will be engaged to determine how NTESMO will effectively operate as a separate entity and maintain effective ring-fencing compliance. This includes development of internal and external support services models. Estimated cost based on a recent request for tender. Work to be completed by 31/03/2027.	200,000	Preliminary forecast	System Control
ICT	Licencing electricity system control: Power	NTESMO to purchase Power Factory licence (Power and Water retains existing licence used by NTESMO).	625,000	Reasonable forecast	System Control

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
	factory licence, IT/OT, real time systems	Transfer of licences for IT, OT and real-time systems, based on cost to transfer licences during the 2014 separation of Jacana Energy and Territory Generation. Cost based on recent purchase price. Cost based on 12 month implementation timeline.			
In-housed	SoCI Act	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]	0	Reasonable forecast	System Control
In-housed	Critical spares	Critical spares and human machine interface review and implementation completed internally. Activity to be completed by 31/03/2027.	0	Preliminary forecast	System Control

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
Professional fees	Splitting accounts	Consultant will be required to support splitting of financial accounts from Power and Water, recommendations for approval delegations and access controls. Estimate based on recent similar engagements, to be completed by 30/06/2027.	200,000	Preliminary forecast	System Control
In-housed	Cyber assessment	Power and Water's cyber-security vendors/partners to support NTESMO with achieving SP1 and SP2 (Cyber CX and Portal), Engagement for 6 months based on Power and Water's work, with some internal support required. Review to investigate using Optus fibre optic network, contractual arrangements and whether NTESMO as a statutory corporation can have access under the current arrangements. DCDD will be used for their cyber-security program but would also need 2 FTE to manage cyber risks and incidents within NTESMO. This FTE has been allocated in ongoing personnel costs. Activity to be completed by 30/06/2027.	0	Preliminary forecast	System Control
Professional fees	Maximo controls/ chart of accounts investigation	Consultant to investigate and determine options for NTESMO's fit for purpose chart of accounts (including retaining use of Maximo), including options analysis and benefits.	50,000	Reasonable forecast	System Control

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
		Power and Water to perform services under a transitional arrangement until chart of accounts is determined. Estimate based on recent similar engagements. Activity to be completed by 30/06/2027.			
Professional fees	Communication strategy	A consultant/agency to deliver a communications plan, including website modifications, media, and a stakeholder engagement plan, including key industry bodies, big business. Managed by Power and Water's Corporate Affairs team. Estimate based on recent similar engagements. Activity to be completed by 30/06/2027.	185,000	Preliminary forecast	System Control
Professional fees	Develop forms and templates	Engage a consultant to develop NTESMO specific forms and templates, which will be based on Power and Water's suite of templates. Currently, NTESMO specific templates do not exist and will be required to transfer policies, procedures, processes, and corporate templates to. Estimated cost based off a recent/similar job delivered for Corporate Affairs. Activity to be completed by 31/03/2027.	30,000	Reasonable forecast	System Control
Overheads	Branding	Allocation for new uniforms, signage and other branding (cars, building etc). Ongoing branding allocated within NTESMO's existing budget.	50,000	Reasonable forecast	System Control

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
		Cost estimate provided by Power and Water's Corporate Affairs team, based on recent engagements for branding. Activity to be completed by 30/06/2027.			
Professional fees	Governance framework	Engage a consultant to develop governance framework for new entity, including delegations of authority and policy documents, based on the following: - Review and validate establishment of governance framework (Board governance, policies etc). - Review, identify and establish compliance and obligation requirements in HERCS, including managers obligations and corporate controls. Power and Water's policies and procedures that relate to NTESMO will only require a template/brand change (i.e. adapt Power and Water's existing content for use on NTESMO templates): - Identify which policies and procedures are transferrable to NTESMO. Estimate based on recent similar engagements. Activity to be completed by 28/02/2027.	100,000	Reasonable forecast	System Control
Other	Accommodation requirements to support implementation of NTESMO separation	Cost to accommodate additional resourcing to support separation, including leasing costs. Ongoing leasing/facility requirements once separated are included in ongoing costs considerations.	122,500	Preliminary forecast	System Control

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
		Cost estimate provided by the Chief Procurement Officer, on an average cost per square meter, at the required space per person. Activity is based on a 12 month implementation, to be completed by 30/06/2027.			
ICT	ICT requirements to support implementation of NTESMO separation	ICT costs based on current allocation per resource in NTESMO, including hardware and technical items, for 1 year. Activity is based on a 12 month implementation, to be completed by 30/06/2027.	630,000	Preliminary forecast	System Control
In-housed	Records management	NTESMO remains in Power and Water's record system, with additional security implemented and monitoring. The transfer of information between Power and Water and NTESMO in certain systems (retail management system, meter to cash system, settlement system and energy management system) is most efficient and effective if remaining within the one system. It would also mitigate cyber risks. Transferring data/information to a new system would be a significant cost and time impact. This activity will be completed internally at no cost. Activity to be completed by 30/06/2027.	0	Preliminary forecast	System Control

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
In-housed	Contract and document management	Contract re-negotiation, closing out purchase orders within Power and Water, raising new purchase orders, completed new NDAs. Proposed to in-house this activity to keep costs down. Activity to be completed by 30/06/2027.	0	Preliminary forecast	System Control
ICT	ICT systems and services (implementation)	Set up ICT requirements for new employees, including meeting and board rooms set up. Based on the recent cost to set up the Board room in Power and Water. Activity to be completed by 30/06/2027.	100,000	Reasonable forecast	System Control
Other	Compliance	NTESMO internalises its compliance function to maintain effective ring-fencing of sensitive information. Set up CAMS, including initial purchase of module, based on recent internal costings. Additional ongoing licence fees included in ongoing costs. Activity will commence 12 months prior to separation and is to be completed by 30/06/2027.	60,000	Reasonable forecast	System Control
Professional fees	Risk and audit	Consultant engaged to complete a strategic risk review workshop with NTESMO's Board to develop risk register as well as develop internal audit plan.	100,000	Reasonable forecast	System Control

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
		Cost base on the most recent internal audit engagement. Activity to be completed by 30/06/2027.			
Professional fees	Assurance reviews (post separation)	Post separation assurance review for NTESMO as a separate entity. Estimate based on recent similar engagements. Activity to commence no more than 6 months post separation, for a duration of 2-3 months.	150,000	Reasonable forecast	System Control

B.1.2 TEM reform design

outlines the one-off implementation costs for TEM reform design implementation.

Table 16 TEM reform design (\$, real FY2025)

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
Professional fees	Scheduling and dispatch	The NT Government does not deviate from the Gateway Review market design ▪ The formulation of the merit order ▪ The treatment of start-up costs and the dispatch horizon ▪ Specification of Essential System Services ▪ Cost allocation design ▪ Design of the Generator Performance Standard	400,000	Preliminary forecast	System Control / Market Operator

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
		Centralised unit commitment Activity is based on a 12 month implementation, until 30/06/2027.			
Professional fees	ESS	- No change to the Power System Security and Reliability framework presented to the Industry Reference Group on 06/06/2024 - Investigation of the expansion of the reserve requirements to accommodate centralised provision of solar firming - Modelling of ESS parameters used as the basis for system security across the breadth of operating scenarios - Harmonisation of contingency and constraint design to address the constraints on the Darwin to Katherine Transmission Line - Operationalisation of the battery operating guideline - Integration of enhanced capacity forecasting into system operating procedures accounting for ESS framework Activity is based on a 12 month implementation, until 30/06/2027.	200,000	Preliminary forecast	System Control
Professional fees	Settlement	- Cash settlement with prudential management is part of the reform design - Develop the settlement system enhancement requirements e.g. settlement of multiple ESS, cost allocation methodology, start costs - Develop reformed governance framework and processes - Enhancements to dispatch systems. Activity is based on a 12 month implementation, until 30/06/2027.	950,000	Reasonable forecast	Market Operator
Professional fees	Procurement design	Tender process, design, contract template development and tender response evaluation methodology	450,000	Reasonable forecast	Market Operator

COST TYPE	ACTIVITY	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
Professional fees	System planning	▪ The RESIP will be in-housed by NTESMO ▪ Develop requirements to support decision on software vendors and hardware design ▪ Design of the governance framework and regulatory requirement for securing data and data security ▪ Develop the enhancements to the existing methodology design ▪ Asset management capability Activity is based on a 12 month implementation, until 30/06/2027.	400,000	Reasonable forecast	System Control
Personnel	Alice Springs and Tennant Creek	▪ Responsibility of Territory Generation to implement ▪ NTESMO remains obligated to perform the System Control function for Alice Springs and Tennant Creek but with no material changes.	0	Preliminary forecast	System Control
Professional fees	Regulatory drafting and review	DME are responsible for rule drafting. NTESMO provide SME input and review functionality. Cost for legal review of new rules and regulations to embed relevant processes and procedures to ensure compliance. Activity is based on a 12 month implementation, until 30/06/2027.	300,000	Reasonable forecast	System Control
Professional fees	Assurance	Post implementation assurance review for new functions and enhanced settlement and system requirements. Estimate based on recent similar engagements, to be completed in FY2028, following establishment of the new functions.	200,000	Reasonable forecast	System Control

B.2 Ongoing assumptions

B.2.1 Separation specific

outlines the ongoing costs for separation of NTESMO and Power and Water Corporation (with SLA support). Ongoing expenditure will first be incurred in FY2028 and annual thereafter.

Table 17 Separation specific (\$, real FY2025)

COST TYPE	COST ITEM	CONSIDERATIONS	EST. COST	FORECAST	COST ALLOCATION
Personnel	Personnel	Additional resourcing to support NTESMO as a separated statutory corporation, including: ▪ Board of directors (3) ▪ Chief Executive Officer ▪ Chief Financial Officer ▪ General Counsel and Company Secretary ▪ Executive Assistant (to the CEO) ▪ Compliance, risk and audit (2 FTE) ▪ Cyber security and ICT support (2 FTE) ▪ Corporate affairs manager (1 FTE) ▪ Records management officer (1 FTE) Additional resourcing is based on a recent organisational review of NTESMO by CutlerMerz.	2,196,000	Reasonable forecast	System Control
Travel	Travel	Annual travel provision for Board.	75,000	Reasonable forecast	System Control

COST TYPE	COST ITEM	CONSIDERATIONS	EST. COST	FORECAST	COST ALLOCATION
Professional fees	Power factory licence	Ongoing annual licence fee (separate to initial set up included in separation implementation specific costs), based on current costs licence fee costs incurred by Power and Water.	65,000	Preliminary forecast	System Control
ICT	Internal services	▪ Increase in NTESMO's allocation of the corporate overhead allocation to include the additional resources to be engaged as a result of separation. ▪ ICT service and system provision not included in this line item (separate line item).	57,000	Preliminary forecast	System Control
ICT	Compliance	▪ NTESMO manages compliance internally. ▪ Annual licence fee for compliance management system to manage compliance obligations and policy frameworks, based on current costs incurred by Power and Water.	60,000	Reasonable forecast	System Control
Professional fees	Risk and audit	▪ Three internal audits per year. ▪ This is an additional cost and will not reduce Power and Water's annual internal audit budget as any NTESMO specific audits will be replaced in Power and Water's internal audit plan. ▪ Cost based on those incurred currently by Power and Water.	195,000	Reasonable forecast	System Control
Property	Facilities	▪ NTESMO leases Hudson Creek and BHC5 from Power and Water (unimproved capital value + market rate), which is a new cost as NTESMO does not currently incur any leasing costs ▪ Allocation for additional facilities required to accommodate new resources engaged as a result of separation (due to limited space in Hudson Creek and BHC5).	321,400	Preliminary forecast	System Control

COST TYPE	COST ITEM	CONSIDERATIONS	EST. COST	FORECAST	COST ALLOCATION
		Leasing of vehicles for new executives and new fleet as a result of separation only (does not include existing fleet costs that are already covered in the CAM).			
ICT	Records mgmt	Additional provision for Power and Water to host NTESMO as a dataset on their records management system, including maintenance, support and enhanced security. This additional provision is to enhance system security and monitoring of NTESMO's records.	50,000	Preliminary forecast	System Control
ICT	ICT service and system provisions	- Allocated for new employees to be engaged as a result of separation only. - Based on the technology and systems transitional agreement that Power and Water provided to Territory Generation/Jacana Energy following the 2014 structural separation.	1,207,450	Preliminary forecast	System Control
Professional fees	Insurance	Estimate is based on the following and will increase by CPI each year: - Power and Water's current levels of insurance. - No assets. - Premiums being paid upfront, so no interest is incurred.	552,000	Preliminary forecast	System Control

B.2.2 New functions

outlines the ongoing costs for the new functions of NTESMO²². Ongoing expenditure will first be incurred in FY2028, and annually thereafter.

Table 18 New functions (\$, real FY2025)

COST TYPE	COST ITEM	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
SYSTEM PLANNING					
ICT	Modelling licences	An additional 3 licences to NTESMO's existing Plexos platform. Cost includes 3 licences and additional user requirements (e.g. storage, credits)	200,000	Preliminary forecast	System Control
ICT	Power factory licence	Additional licence to the one required for the separation of NTESMO as different personnel will be using the licence.	65,000	Preliminary forecast	System Control
Professional fees	Techno-economic specialist support	This would be an outsourced role to help with development and ongoing support.	300,000	Reasonable forecast	System Control
Personnel	Personnel cost	NTESMO have 3 existing system planning roles. An additional 4 roles required to in-house system planning: - Planners x 2 (band 2-3 professional) - Technical writer x 1 (band 2-3 professional) - Graduates x 1 (band 2 professional)	585,000	Preliminary forecast	System Control

²² As per TEM reform, new NTESMO functions include centralised planning, centralised procurement, a revised scheduling and dispatch process and an updated settlement system

COST TYPE	COST ITEM	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
Travel	Travel	Travel for PLEXOS 5 day course	14,000	Preliminary forecast	System Control
Training	Training	Staff training for PLEXOS	12,000	Preliminary forecast	System Control
ICT	ICT system and service provision	Cost associated with the following ICT systems and services for the 4 additional personnel, based on the technology and systems transitional agreement that Power and Water provided to Territory Generation/Jacana Energy following the 2014 structural separation: ▪ Cyber-security ▪ IT services ▪ System access ▪ Architecture and technical advice ▪ Provision of IT infrastructure and connectivity ▪ Department of Corporate and Digital Development services	210,000	Preliminary forecast	System Control
Property	Facilities	▪ Leasing costs to accommodate the additional personnel only, including security access, based on cost estimate per/person, per square meterage requirements. ▪ NTESMO use existing operating expenditure for facility maintenance.	40,320	Preliminary forecast	System Control
Professional fees	Insurance	Workers compensation insurance for 4 additional personnel, based on Power and Water's workers compensation premium.	4,560	Preliminary forecast	System Control

COST TYPE	COST ITEM	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
CENTRALISED PROCUREMENT					
Professional fees	External legal cost	External legal review of power purchase agreements. ²³	500,000	Preliminary forecast	Market Operator
Personnel	Personnel cost	Three additional resources will be required to perform this function: ▪ Commercial advisory ▪ Due diligence and evaluation ▪ Procurement specialist.	585,000	Preliminary forecast	Market Operator
Travel	Travel	Travel for PLEXOS 5-day course.	10,500	Preliminary forecast	Market Operator
Training	Training	Staff training for PLEXOS.	8,000	Preliminary forecast	Market Operator
ICT	ICT system and service provision	Cost associated with the following ICT systems and services for the 3 additional personnel, based on the technology and systems transitional agreement that Power and Water provided to Territory Generation/Jacana Energy following the 2014 structural separation: ▪ Cyber-security ▪ IT services ▪ System access ▪ Architecture and technical advice	157,500	Preliminary forecast	System Control

²³ This forecast cost for legal fees is reflective of the increased complexities of centrally procuring electricity services, which will be a new function for NTESMO

COST TYPE	COST ITEM	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
		- Provision of IT infrastructure and connectivity - Department of Corporate and Digital Development services.			
Property	Facilities	- Leasing costs to accommodate the additional personnel only, including security access, based on cost estimate per/person, per square meterage requirements. - NTESMO use existing operating expenditure for facility maintenance.	30,240	Preliminary forecast	System Control
Professional fees	Insurance	Workers compensation insurance for 3 additional personnel, based on Power and Water's workers compensation premium.	3,420	Preliminary forecast	System Control
SETTLEMENTS					
Personnel	Personnel cost	Two additional resources will be required to perform this function: - Financial analyst - Analyst market operations.	317,000	Preliminary forecast	Market Operator
ICT	ICT system and service provision	Cost associated with the following ICT systems and services for the 2 additional personnel, based on the technology and systems transitional agreement that Power and Water provided to Territory Generation/Jacana Energy following the 2014 structural separation: - Cyber-security - IT services - System access - Architecture and technical advice - Provision of IT infrastructure and connectivity	105,000	Preliminary forecast	System Control

COST TYPE	COST ITEM	ASSUMPTIONS	EST. COST	FORECAST	COST ALLOCATION
		Department of Corporate and Digital Development services.			
Property	Facilities	- Leasing costs to accommodate the additional personnel only, including security access, based on cost estimate per/person, per square meterage requirements. - NTESMO use existing operating expenditure for facility maintenance.	20,160	Preliminary forecast	System Control
Professional fees	Insurance	Workers compensation insurance for 2 additional personnel, based on Power and Water's workers compensation premium.	2,280	Preliminary forecast	System Control

Power and Water Corporation

Northern Territory Electricity System and Market Operator

1800 245 092

market.operator@powerwater.com.au

ntesmo.com.au

