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Dr Patrick Walsh
Utilities Commissioner
Utilities Commission
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By email: utilities.commission@nt.gov.au

Dear Dr Walsh

SUBMISSION OF ENERGY DEVELOPMENTS LIMITED'S (EDL) APPLICATIONS FOR ELECTRICITY GENERATION LICENCE AND ELECTRICITY RETAIL LICENCE IN THE NORTHERN TERRITORY (NT)

Territory Generation (T-Gen) welcomes the opportunity to provide a submission in relation to EDL's applications for electricity generation licence and electricity retail licence, operating in the NT electricity market.

In principle, T-Gen is supportive of EDL's NT electricity generation licence application. Since the establishment of T-Gen in July 2014, a number of strategic initiatives have been developed with an aim to improve business efficiency and competitiveness as the NT Electricity Market evolves. This is consistent with the Government's electricity reform program to drive efficiency, encourage competition and consequently provide for the long term interests of the NT electricity consumers.

However, T-Gen believes there are a number of considerations which need to be addressed, being:

1) Arrangements for the Procurement of Ancillary Services prior to the Final Market

Due to the lack of cost transparency for the provision of ancillary services (Black Start, Voltage Control and Frequency Control Services), all costs are currently borne by either electricity customers, through higher tariffs, or T-Gen.

In accordance with section 5.1 of the System Control Technical Code (version 4) 2012, the NT Power System Controller is responsible for the arrangement for the procurement of ancillary services. To ensure the allocation of ancillary costs are consistent amongst generators, the Commission may consider imposing an alternative cost sharing arrangement for the provision of system ancillary services until such time the procurement procedure is implemented.

It is T-Gen's belief that a detailed cost sharing or ancillary services procurement arrangement should be clearly identified and implemented prior to EDL's electricity generation licence being granted.

2) Accounting for Line Losses

T-Gen is currently responsible for the costs of line losses and proportionally passes this cost onto its customers. With the emergent generator in the market, a transparent mechanism on how to allocate the cost of line losses on a user pays basis needs to be implemented.

3) Generator of Last Resort (GoLR)

The Information Paper of NT Electricity Market Reform, published by DTF in February 2014 specifies that T-Gen will perform all GoLR functions, however to date the market has not defined this issue nor addressed the cost issues associated with the provision of these services. T-Gen is seeking clarifications on the obligations of GoLR in the event of a private generator becoming insolvent.

4) Other Comments

Page 13 of the electricity generation licence application, EDL intends to negotiate a Standby Power Agreement with T-Gen.

- T-Gen is currently in the process of negotiating a Standby Power Agreement with EDL.

Page 14 of the electricity generation licence application, EDL intends to negotiate with T-Gen to establish a contractual mechanism to manage the difference between customer demand and supplied generation.

- This is currently under negotiation between EDL and T-Gen.

T-Gen assumes that EDL will be required to participate in the NT electricity market and be subject to the same regulatory requirements as T-Gen.

We appreciate the opportunity to provide this submission. If you have any queries or require further information please do not hesitate to contact Rebecca Mills, Acting Commercial Manager on 08 8985 8409 or Rebecca.mills@territorygeneration.com.au

Yours sincerely



Tim Duignan
Chief Executive Officer
16 January 2015