



23 Jan 2014

Executive Officer

Utilities Commission

Via email: utilities.commission@nt.gov.au

To whom it may concern

NT Wholesale Generation Market Reform

The Environment Centre Northern Territory (ECNT) welcomes the opportunity to make a submission on the NT Utilities Commission Wholesale Electricity Generation Review.

The ECNT also notes that the consultation period coincided with the Xmas New Year break which in general terms means that stakeholders have reduced capacity to provide attention to these matters and in case of the ECNT is even more compromised with regards to capacity.

The Environment Centre NT has long been a strong advocate for renewable energy development in the Northern Territory, as we perceive it to be an important solution to the risks of climate change and energy security in the region. As such, our submission is based on our experiences attempting to overcome the barriers that exist preventing greater renewable energy in the NT energy market.

Establishment of a Competitive Market

ECNT brief and initial comments refer to the issues raised in the Utilities Commission Draft Report and the Oakley Greenwood attachment (*the Draft Report*).

ECNT's discussions with stakeholders and aspiring new entrants to the NT market, suggest that the barriers and challenges faced by the current energy market have been correctly characterised and that there is a need for Energy Market Reform.

Additionally, ECNT concluded that there are inconsistencies in the prices that PWC provides to End Users, to generators seeking Power Purchase Agreements and reported to regulators. The treatments outlined in Implementation of a competitive market are therefore welcome in order to realise effective ring fencing between PWC generation, network and retailer functions.

Emphasis on Supply Side and to the Exclusion of Demand Side Participation

The recommendation in the Draft Report for the NT to adopt a pared down version of the NEM without further critical analysis is of concern. The current commodity based regulatory model

is proving not to be as robust and economically sustainable as hoped when it was introduced in the 1990s.

Adopting capacity based model with no forward market, and without taking into consideration the developments of the last decade will jeopardise the objectives outlined in the Terms of Reference such as minimize long term costs and manage variations between peak and average loads.

The current policy debate surrounds the limitations of the NEM model to be able to adapt to modern technology trends, as seen in the NEM states as well as internationally. These trends include:

- The introduction of price signals for energy efficient technologies as both an energy security as well as a means to be able to reduce electricity and energy prices.
- The inclusion of Curtailable loads in a NegaWatt market and alongside the MegaWatt Market.
- The increased uptake of distributed generation such as gas fired generation and also Solar PV.
- The increase of Large Scale and Utility Scaled Solar PV power plants which would be seeking to participate in the wholesale market as an option to off market hedge or power purchase agreement arrangements.

There is an international discussion and consensus that further enhancements to the current energy-only market are required and that **energy efficiency should be treated as a resource and encouraged, to compete to ensure the market achieves its full potential for competitiveness and efficiency.**

The ECNT is therefore encouraged that the Issues paper recommends the inclusion of regular tenders for both supply and demand side capacity.

The ECNT would go one step further and call for a prioritisation of the type of capacity, and similar to the California loading order, highest priority being energy efficiency, followed by renewable energy and then fossil fuels such as gas.

The ECNT also calls for companion effort and regulation to improve energy efficiency in buildings and end user price signals which will result in the increased uptake of energy efficiency technologies.

The economic benefits in providing clear price signals for energy efficiency and alternative energy sources (to gas), will promote energy security and protect domestic gas users from cost pressures and increase the amount of gas available for export.

There are also employment benefits in the explicit inclusion of Demand Side Response actions and will encourage energy service companies / energy demand aggregators. EnerNOC, the USA based company which is now operating and building on Australian expertise, is an example.

There are broader policy considerations when adopting a regulatory model for energy market reform. The NT has the opportunity as the last cab off the Australian Energy Rank to be a beneficiary of the learnings from NEM learnings and also play a leadership role in adopting cutting edge best practice regulation.

ECNT would commend the following sample of References to UC for background information and in support of the points made in this submission:

1. Capacity Markets - Lessons Learned from the First Decade Author(s): Kathleen Spees, Samuel A. Newell, and Johannes P. Pfeifenberger
<http://www.iaee.org/en/publications/eeeparticle.aspx?id=45>
http://interchange.puc.state.tx.us/WebApp/Interchange/Documents/41850_54_770430.PDF
2. A Distributed Energy Market: Consumer & Utility Interest, and the Regulatory Requirements.
<http://apvi.org.au/a-distributed-energy-market-consumer-utility-interest-and-the-regulatory-requirements/>
3. Australian PV Institute, Response to the Australian Energy Regulator's Issues Paper on 'Regulation of alternative energy sellers under the National Energy retail Law', Oct 2013.
<http://apvi.org.au/wp-content/uploads/2013/11/APVI-Submission-to-AER-Issues-Paper.pdf>
4. California's Loading Order for Electricity Resources, California Energy Commission.
<http://www.energy.ca.gov/title24/2013standards/background.html>
5. SmartGrid GB report. Energy Bill 2013 - Demand Side Response and the Capacity Market in focus <http://www.smartgridgb.org/policy-regulation/item/293-sggb-releases-new-report-on-capacity-market-and-dsr.html>
6. EnerNOC,
<http://www.enernoc.com/our-resources/case-studies> and
http://www.dews.qld.gov.au/_data/assets/pdf_file/0010/44992/enernoc-electricity-submission.pdf

Thank you for the opportunity to comment. We welcome any further opportunities for input into the review.

Regards,

Environment Centre NT