RIMFIRE ENERGY

22 July 2026

Ms Anna McGill
A/Director Utilities Commission
Utilities Commission of the Northern Territory
Level 3, NT House
22 Mitchell Street
Darwin NT 0800

By email to: Anna.Mcgill@nt.gov.au; Utilities.Commission@nt.gov.au

Dear Anna,

Subject: 2027–32 System Control and Market Operator Charges Review – NTESMO Initial Proposal

Rimfire Energy (Rimfire) appreciates the opportunity to provide feedback on NTESMO's Initial Proposal for the 2027–32 regulatory period.

Rimfire writes as the Territory's largest independent electricity retailer and as a business that has developed generation in the Territory without government funding or offtake support. Rimfire pays System Control and Market Operator charges directly, costs its customers ultimately bear. Competition is already delivering real price relief to Territorians, including 10 per cent residential discounts under Rimfire's Switch to Save program and significant annual savings for larger customers. Every additional dollar of regulated charges erodes those savings.

Executive Summary

Rimfire supports the objectives of the Territory Energy Market (TEM) reforms and recognises the importance of maintaining system security, facilitating renewable energy integration, and establishing an independent NTESMO. The Government's stated objective for the reform program is secure, reliable, competitive electricity at least cost, and Rimfire asks the Commission to test the Initial Proposal against that objective. However, we are concerned that NTESMO's proposal seeks to transfer a substantial and highly uncertain reform cost burden directly to market participants and ultimately, Territory electricity consumers before the full scope, benefits, and efficient implementation costs of the reforms have been demonstrated.

The proposed revenue requirement increases from approximately $27.3 million in FY2026-27 to an average of approximately $39 million per annum over the 2027–32 period[1], an increase of around 43%. The indicative System Control charge increases by 39.8% and the Market Operator charge increases by 75.7% in FY2027-28[2] alone. The Initial Proposal also explicitly acknowledges that the

[1] Utilities Commission Consultation Paper, Table 1, pp. 2-3; NTESMO Initial Proposal, Tables 7 and 8, pp. 13-15.
[2] Utilities Commission Consultation Paper, p. 3; NTESMO Initial Proposal, Table 6-2, pp. 60-61

TEM reform costs currently included for recovery are only a subset of expected costs, with total reform-related expenditure estimated at approximately $46.6 million[3] and further future cost pass-through claims anticipated[4].

Rimfire submits that:

1. The Utilities Commission should approve ex-ante recovery only of TEM reform costs that are demonstrably prudent and efficient, and defer recovery of costs that cannot yet be substantiated until the market rules are settled.
2. Consumers and market participants should not bear the risk of reform implementation costs where NTESMO, Government, or policy developers retain significant control over delivery outcomes.
3. Future pass-through mechanisms should be tightly constrained, with a defined materiality threshold, a clear link to new legislated obligations, and rigorous prudency and efficiency testing.
4. Costs associated with establishing NTESMO as a standalone statutory corporation should be scrutinised particularly closely, as these are organisational and governance changes arising from government policy decisions rather than direct service delivery enhancements.
5. The Commission should require NTESMO to demonstrate measurable customer and market benefits before approving significant increases in regulated charges.
6. Maintaining effective competition is essential to sustaining downward pressure on electricity prices, and the Commission should have regard to the effect of the proposed increases on competition when assessing the Initial Proposal.

1. Support for Reform Objectives Does Not Mean Automatic Cost Recovery

Rimfire supports the long-term objectives of the TEM reforms, including:

- enhanced market transparency;
- improved dispatch arrangements;
- centralised planning functions; and
- strengthening system security during the energy transition.

However, support for reform objectives should not be interpreted as support for automatic recovery of all reform-related expenditure.

The Initial Proposal identifies substantial uncertainty regarding the final market rules, operational requirements, and implementation approach. NTESMO itself acknowledges that many reform costs cannot yet be forecast with confidence and that further pass-through claims may be required if rules and regulations are not finalised in time.

This creates a significant risk that consumers will be asked to fund outcomes that are not yet fully defined.

The Commission should therefore adopt a conservative approach and approve only those costs that are:

- clearly linked to legislated obligations;

[3] NTESMO Initial Proposal, Section 4.3, Table 4-2, pp. 48-49; Utilities Commission Consultation Paper, p. 7
[4] NTESMO Initial Proposal, Sections 4.3 and 4.6, pp. 47-50

- demonstrably necessary;
- prudently incurred; and
- supported by robust evidence.

2. Market Participants Will Ultimately Bear the Cost Burden

While NTESMO's charges are formally recovered from retailers, the practical reality is that the proposed increases will flow through the electricity supply chain.

The entities ultimately bearing these costs include:

Electricity Retailers
Retailers such as Rimfire Energy and other market participants are directly responsible for paying System Control and Market Operator charges.

Commercial and Industrial Customers
For contestable customers, increased NTESMO charges will directly increase electricity procurement costs and retail pricing.

Residential and Small Business Customers
Although some end-users remain protected by the Northern Territory pricing framework, increased system costs ultimately place pressure on government subsidy arrangements and taxpayer-funded support mechanisms.

The Northern Territory Economy
Higher electricity costs undermine competitiveness, discourage investment and increase the cost of doing business throughout the Territory.

Accordingly, it is inaccurate to characterise the proposed increases as simply a regulatory matter affecting NTESMO. The costs will ultimately be borne by retailers, customers, taxpayers, or a combination of all three.

Maintaining effective competition is also essential to sustaining downward pressure on electricity prices. Retail competition is currently the principal source of price tension in the Territory market, and it is delivering measurable savings to customers today. Increases in regulated charges of the magnitude proposed raise the cost base of every market participant and flow through to the prices customers pay. In assessing the Initial Proposal, the Commission should therefore have regard to the effect of the proposed charges on competition and on the savings competition is currently delivering.

3. The Magnitude of the Increase Warrants Stronger Scrutiny

NTESMO proposes:

- Total revenue requirements increasing from approximately $27.3 million to approximately $39 million per annum.
- A System Control charge increase of approximately 39.8%.
- A Market Operator charge increase of approximately 75.7%.
- Recovery of an additional $5.7 million in TEM implementation costs incurred during the current regulatory period.

- Recovery of approximately $17.8 million in identified reform costs[5].
- Potential future recovery of additional costs from the broader estimated TEM reform program of approximately $46.6 million[6].

These increases significantly exceed inflation and general economic growth within the Territory.

Given the magnitude of the proposed increases, the Commission should require a higher evidentiary threshold than would normally apply for routine regulatory expenditure.

4. Consumers Should Not Bear the Risk of Reform Uncertainty

Rimfire is particularly concerned by NTESMO's proposal to recover currently identified costs whilst also signalling future pass-through claims once the market rules are finalised.

This approach effectively allocates reform risk to customers rather than the organisation implementing the reforms.

The Initial Proposal states that:

- substantial aspects of reform design remain incomplete;
- further obligations may arise once market rules are developed;
- additional costs may be pursued through future pass-through mechanisms[7].

This creates an uncapped and undefined liability for market participants and consumers.

Rimfire submits that:

- policy uncertainty should not automatically become customer liability;
- reform decisions should not create an unbounded entitlement to cost recovery;
- future pass-through claims should be subject to a high threshold of proof; and
- NTESMO should demonstrate that all reasonable opportunities for cost containment have been exhausted before additional recovery is approved.

Accordingly, Rimfire recommends that the Commission approve ex-ante recovery only of identified costs that are demonstrably prudent and efficient; exclude the balance of the broader estimated reform program of approximately $46.6 million from this determination until the market rules are settled; and require any future pass-through mechanism to incorporate a defined materiality threshold, a clear causal link to new legislated obligations, and independent assessment of prudency and efficiency.

5. Separation Costs Require Particular Attention

The Initial Proposal includes costs associated with the separation of NTESMO from Power and Water Corporation and the creation of a standalone statutory corporation. Rimfire supports independent system control and market operations, and expects independence to deliver benefits through impartial market administration and more accurate pricing of system services. The question for this review is not the policy of independence, but the quantum and efficiency of the costs proposed to achieve it.

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[5] NTESMO Initial Proposal, Section 4.3, Table 4-1, pp. 47-48
[6] NTESMO Initial Proposal, Section 4.3, Table 4-2, pp. 48-49
[7] NTESMO Initial Proposal, Sections 4.3 and 4.6, pp. 47-50

These include:

- appointment of a separate board and executive;
- establishment of governance frameworks;
- development of standalone risk, compliance and corporate functions;
- financial accountability and reporting compliance;
- ICT systems and software licensing;
- insurance arrangements;
- facilities and accommodation requirements; and
- implementation of separation-related organisational structures.

These costs arise primarily because of a government policy decision concerning organisational structure.

While some costs may be unavoidable, the Commission should carefully test whether:

- all proposed corporate functions are necessary;
- existing shared services arrangements could continue where efficient;
- duplication with Power and Water Corporation can be avoided; and
- customers receive any direct benefit commensurate with the expenditure.

The appropriate test is an economic approach to redundancy and risk management: consumers should fund the corporate capability a prudent standalone operator genuinely requires, without gold-plating or inefficient duplication.

6. Greater Accountability Should Accompany Increased Charges

If the Commission approves significant increases in charges, corresponding accountability mechanisms should be strengthened.

Rimfire recommends:

Enhanced Reporting
Annual public reporting of:

- TEM implementation costs;
- actual versus forecast expenditure;
- delivery milestones; and
- realised customer benefits.

Ring-Fencing of Reform Costs
TEM reform expenditure should be separately identified from business-as-usual costs to ensure transparency.

Benefit Realisation Requirements
NTESMO should demonstrate measurable outcomes from reform investments, including:

- operational efficiencies;
- reduced dispatch costs;
- improved reliability outcomes;
- supportive of competition;
- reduced whole-of-system costs.

Conclusion

Rimfire supports the long-term objectives of the TEM reforms and acknowledges the important role NTESMO plays in maintaining a secure and reliable electricity system.

However, the Initial Proposal seeks approval for substantial increases in regulated charges at a time when major elements of the reform program remain uncertain and significant additional expenditure may still emerge.

The Commission should ensure that:

- only prudent, efficient and clearly justified reform costs are approved;
- customers are protected from bearing the cost of policy and implementation uncertainty;
- separation and governance costs are rigorously scrutinised;
- future pass-through mechanisms are tightly controlled;
- the competitive pressure currently delivering lower prices is not eroded by unnecessary increases in regulated charges; and
- NTESMO is held accountable for delivering measurable benefits in exchange for the significant increase in charges sought.

Rimfire therefore asks the Commission to approve ex-ante recovery only of demonstrably prudent and efficient reform costs, to defer recovery of costs that cannot yet be substantiated until the market rules are settled, and to tie any approved increase to the accountability measures set out above. Assessed against the reform program's own objective, secure, reliable electricity at least cost, that approach gives the reforms the best chance of succeeding while protecting Territory consumers.

Kind regards,



Kim Howlett

Chief Operating Officer

Rimfire Energy Pty Ltd