

16 June 2023

OUR REF: 60:D23:4237  
60:F22:174

Lyndon Rowe  
Utilities Commissioner  
Utilities Commission  
GPO Box 915  
DARWIN NT 0801

By email: [utilities.commission@nt.gov.au](mailto:utilities.commission@nt.gov.au)

Dear Commissioner

### **Review of the Northern Territory's Electricity Supply Licensing Regime – Draft Decision – Scope and Design**

Thank you for the opportunity to make a submission in response to the “Review of the Northern Territory's Electricity Supply Licensing Regime – Draft Decision – Scope and Design” (**Draft Decision**) released by the Utilities Commission (**Commission**) on 20 April 2023.

In general, Jacana Energy supports the Commission's Draft Decision regarding proposed changes to the Northern Territory's electricity supply licensing regime, with the exception of the decision relating to owners and operators of virtual power plants and the proposed changes to the SSRE operations exemption.

Jacana Energy has the following concerns with the proposed changes to chapters 4 and 5:

#### *Chapter 4 Emerging technologies and business models - Owners and operators of generation and VPPs*

Jacana Energy notes that Chapter 4 the Commission's Draft Decision proposes virtual power plants (VPPs) or other business models that aggregate and control the operation of distributed generation assets to be classified as generation and for the operator to be required to hold a generation licence or individual exemption for these operations.

Jacana Energy is of the strong view that VPPs that aggregate generation and/or loads that are individually exempt from the requirement to hold a generation licence, should not be required to be licenced (particularly where the individual generators and loads are located behind-the-meter (BTM) or on customer's premises).

The Commission provided that the rationale for requiring operators of VPPs to hold a generation licence is that the operation of a VPP poses risks to the safe, secure and reliable operation of the power system in largely the same manner as traditional generation activities. However, Jacana Energy is of the view that this is not the case for the reasons set out below:

- small, BTM generation assets that are exempt from the requirement to be licenced under the Small Scale Renewable Energy (SSRE) Exemption do not require individual controls or mechanisms for dynamic grid interaction that ensures safe, secure and reliable operation of the power system;
- if these small BTM generation assets are aggregated as part of a VPP (or an alternative aggregation model), the VPP operator would be able to control these elements of both the generation and load assets, consequently making the aggregated generation or load asset base, more secure and reliable than had they not formed part of the VPP; and

- there is value in aggregation of such small generation and load assets and the use of VPPs provides a more efficient means of controlling large numbers of small generation and load assets.

In addition, Jacana Energy is of the view that VPPs are a means to enable further renewable energy penetration into the Northern Territory electricity system by creating a smart, dynamic load and generator asset base that can provide grid support services to the network and system in a way that individual BTM assets (particularly at residential level) currently cannot do so.

By requiring operators of VPPs to hold a generation licence, the Commission would be imposing further costs, barriers and restrictions to enabling higher renewable energy penetration in the short and medium term in the Northern Territory.

VPPs provide a means for electricity end-users and customers to have a greater impact, autonomy and contribution to the wider electricity system transition. Therefore, VPPs enable the step change that is required for rapid transition of the Northern Territory electricity system to cleaner, cheaper energy.

It is also necessary to note that the Commission's proposed approach is not consistent with the generation licensing requirements in South Australia or the generator registration requirements under the National Electricity Market:

- the Essential Services Commission of South Australia's approach to operators of VPPs is that they are exempt from the requirement to hold a generation licence; and
- VPP operators that operate VPPs made up of small BTM assets (i.e. generating systems with a nameplate rating of less than 5MW) are not required to be registered as a generator under the National Electricity Rules.

For the reasons set out above, Jacana Energy strongly opposes Commission's draft decision that operators of VPPs should be required to hold a generation licence.

Under section 10 of the *Power Retail Corporation Act 2014* (NT), Jacana Energy is currently restricted from generating electricity. Clearly, this section was not intended to prevent Jacana Energy from operating or being involved in VPPs. As you are aware, retailers enter into power purchase agreements with generators under which retailers effectively purchase electricity which is not dissimilar to what happens when a retailer operates a VPP. It is important that if operators of VPPs are required to hold a generation licence that this change will not modify or create ambiguity in respect of the generation restriction provision in the *Power Retail Corporation Act 2014* (NT).

Jacana Energy also notes that:

- it reiterates the position set out in its submission to the Issues Paper that regulated energy storage systems as 'generators' of electricity has its issues and should be considered on a case by case basis for co-located, large-scale assets or behind-the-meter small-scale assets; and
- it supports Territory Generation's recommendation in its submission to the Issues Paper that a new licence class of essential system service provider should be created.

#### Chapter 5 Licensing coverage – exemptions - SSRE operations exemption

Jacana Energy has concerns with some of the proposed changes to the SSRE operations exemption, in particular the change in the requirement that on-site generation of electricity is generated solely or primarily for on-site supply, and that the exemption will not cover third party ownership. Jacana Energy reiterates its comments in response to the Commission's position in Chapter 4 of the Draft Decision.

In addition to the comments Jacana Energy has raised in relation to the Commission's position set out in Chapter 4, the proposed amendments to the SSRE operations exemption will severely impact the commercial viability of onsite generation. Further, Jacana Energy is of the view that there should be consultation with end-users/customers with regards to these proposed amendments.

Jacana Energy supports any reforms that create clarity in relation to the on-supplier exemption and the conditions that apply to such exemption. Stronger regulation of on-suppliers is beneficial to customers as customers of on-suppliers can be particularly susceptible to consumer protection

and competition issues, which is a commonly cited reason for other jurisdictions reforming this area of regulation by imposing stricter accountability and conditions on on-suppliers.

If you have any questions or wish to discuss any matter raised in this submission, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink that reads "Kinnear". The signature is fluid and cursive, with the first letter 'K' being particularly large and stylized.

Louisa Kinnear  
Chief Executive Officer  
**Jacana Energy**