OUR REF: 60-D26-5081

04 August 2026

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

Dear Utilities Commission

NTESMO 2027-32 System Control and Market Operator Charges Review

Thank you for the opportunity to make a submission in response to the NTESMO 2027-32 System Control and Market Operator Charges Review Initial Proposal released on 9 June 2026.

Jacana Energy acknowledges the important role that NTESMO performs in maintaining power system security, reliability and market operations across the Northern Territory, particularly during a period of significant industry change. We also recognise the increasing complexity associated with energy transition, Territory Electricity Market reforms and NTESMO's proposed separation from Power and Water Corporation.

Having reviewed the initial proposal, Jacana Energy considers that further evidence and analysis would assist stakeholders in assessing whether the proposed expenditure is appropriately aligned with the services required during the 2027-32 regulatory period and whether the forecast costs represent an efficient and prudent approach to delivering those services. While many of the proposed initiatives are intended to support important system and market outcomes, greater transparency regarding expenditure drivers, expected benefits, alternative options considered, and customer impacts would provide increased confidence in the proposed funding requirements.

In particular, Jacana Energy considers there would be value in providing additional information regarding the significant increase in proposed System Control and Market Operator charges, the efficiency of major expenditure initiatives, the treatment and recovery of Territory Electricity Market reform costs, and the anticipated impact on customers, retailers and the broader Northern Territory economy. Enhanced expenditure governance, benchmarking, cost-benefit analysis and ongoing reporting arrangements may further support transparency and accountability throughout the regulatory period.

Attached is Jacana Energy's detailed response to the specific questions raised in the consultation paper. The submission outlines a number of recommendations aimed at supporting robust regulatory decision-making, strengthening expenditure oversight, and promoting outcomes that are efficient, transparent and in the long-term interests of Northern Territory electricity consumers. Given the scale of the proposed expenditure increases and the potential implications for customers and market participants, Jacana Energy respectfully encourages careful consideration of whether the proposed costs are sufficiently supported, appropriately targeted and capable of delivering demonstrable benefits to consumers over the regulatory period.

Jacana Energy welcomes continued engagement with the Utilities Commission on this matter and would be pleased to discuss any aspect of the submission further. Any correspondence may be directed to compliance@jacanaenergy.com.au.

Yours sincerely

Tom Korecki
Acting Chief Executive Officer

Attachment A: NTESMO 2027-32 System Control and Market Operator Charges Review

NTESMO FY2028-32 System Control and Market Operator Charges Review Consultation paper

Jacana Energy's focused response to questions		
Revenue Requirement		
1.1	**The proposed revenue requirement of about $39 million per annum represents a substantive increase. Stakeholders' views are sought on whether:**	
a)	NTESMO's proposed expenditure is commensurate with the services required over the 2027-32 regulatory period, given operational and regulatory changes outlined in its initial proposal.	Jacana Energy does not agree that NTESMO has demonstrated that its proposed expenditure is commensurate with the services required for the 2027-32 regulatory period. Key concerns: 1. **Magnitude of increase justification**: The proposed increase from approximately $27.3 million in FY2027 to an average of approximately $39 million per annum over the regulatory period (a 38% increase from FY2027 to FY2028) represents a substantive uplift that requires stronger justification. While Jacana Energy acknowledges the operational complexity created by the energy transition and TEM reforms, the proposal omits clear articulation of: a) The direct customer benefits flowing from this increased expenditure. b) The counterfactual scenarios considered (i.e. alternative approaches to achieving the same outcomes at lower cost). c) The benchmarking against comparable system operators in other jurisdictions. 2. **Misalignment with customer priorities**: The expenditure is weighted toward system security and reliability. While these are important objectives, Jacana Energy is concerned that the proposal does not adequately balance these against: a) Affordability for residential and small business customers. b) Price certainty for commercial and industrial customers. c) Competitive outcomes for retailers serving end customers. 3. **TEM reform cost transparency**: The gap between the $17.8 million proposed for recovery in FY2028-32 and the preliminary estimate of $46.6 million creates significant uncertainty for

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		retailers who must incorporate these costs into pricing models. Jacana Energy seeks assurance that: a) Costs will be transparently tracked and reported. b) Any cost overruns will be subject to prudency review. 4. **Expenditure approach to uncertainty**: During periods of industry uncertainty and increased operational risk, additional expenditure governance, diligence and scrutiny should apply to mitigate the potential for expenditure mismanagement. Jacana Energy seeks greater assurance that NTESMO's proposed expenditure aligns with economic efficacy and energy affordability for the Northern Territory. Jacana Energy recommends that NTESMO provide a clearer mapping of proposed expenditure to service outcomes and customer benefits, including a cost-benefit analysis for major expenditure items.
b)	NTESMO has demonstrated its proposed expenditure is reasonable (i.e., justified), prudent (i.e., necessary) and efficient (i.e., lowest cost).	Jacana Energy does not agree that NTESMO has sufficiently demonstrated its proposed expenditure is reasonable, prudent, and efficient. Key concerns: 1. **Insufficient business case detail**: While NTESMO have provided business cases as attachments, the level of detail is inadequate to assess whether costs represent the lowest-cost solution. For example: a) For the Territory Dispatch Engine (TDE) ongoing maintenance ($15.7 million), the proposal does not explain why internal capability cannot be developed at lower cost than external vendor support. b) For the System Tools investment ($8.0 million combined opex and capex), the proposal does not provide comparative analysis of alternative vendor solutions or implementation approaches. c) For both TDE and System Tools, the proposal does not adequately evaluate already implemented or newly available software features of existing systems (e.g. Power and Water Corporation's (PWC) Energy Management System (EMS) or an alternate Advanced Energy Management System (AEMS)). 2. **Base year reallocations**: The significant reallocation of costs between System Control and Market Operator functions requires greater explanation. As noted in the consultation paper, the

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base year expenditure is notably lower than the approved revenue requirement from the 2024-27 Review. Specifically:

a) System Control base year expenditure of $12.5 million is 26% lower than the approved revenue of $17.0 million.

b) Market Operator base year expenditure of $7.6 million is 73% higher than the approved revenue of $4.4 million.

c) In aggregate, base year expenditure of $20.2 million is 6% lower than approved revenue of $21.4 million.

Jacana Energy seeks assurance that:

a) The reallocations do not obscure cost inefficiencies in either function.

b) The reallocation methodology is stable and predictable, avoiding volatility unrelated to operational activity.

3. **Corporate overheads approach**: Jacana Energy seeks clarity on whether the proposed approach to forecasting corporate overheads creates a risk of double counting. Specifically:
   a) How will NTESMO ensure costs currently included in business-as-usual expenditure are not double-counted in the new standalone corporate overheads?
   b) What is the basis for the estimated $5.3 million in corporate overhead savings from separation?

4. **System Control and Market Operator Charges**: In 2024–25, NTESMO's System Control and Market Operator charges were $0.005527/kWh and $0.000585/kWh respectively:
   a) These charges are proposed to increase to $0.016842/kWh and $0.006349/kWh which represents an increase of ~204.7% for System Control charges and ~985.3% for Market Operator charges.
   b) The combined cost of the proposed charges for C&I customers consuming 1 GWh per year will increase from ~$6,112 in 2024–25 to ~$23,191 in 2027-28, with no material change in the level or quality of service received by customers.

5. **Omission of benchmarking:** The proposal does not include meaningful benchmarking against comparable system and market operators. Jacana Energy acknowledges the Northern Territory is small, isolated, and security-constrained, but benchmarking could provide valuable context for assessing efficiency. NTESMO notes that comparable operators have productivity factors of 0.3%-0.6%, yet proposes 0% without adequate justification.

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		Jacana Energy recommends that the Commission request: 1. Independent third-party benchmarking of NTESMO's proposed costs against comparable jurisdictions. 2. Detailed cost-benefit analysis for capital projects. 3. A reconciliation of the base year reallocations to ensure they accurately reflect actual cost drivers.
c)	alternative approaches could better manage costs while maintaining system security and service outcomes.	Yes, Jacana Energy believes alternative approaches exist that could better manage costs while maintaining system security. Potential alternative approaches: 1. **Staged investment program**: Rather than implementing all proposed system tools and step changes simultaneously, NTESMO could adopt a staged approach that prioritises investments based on: a) Urgency of the operational risk being addressed. b) The quantum of customer benefit delivered per dollar invested. c) Readiness of NTESMO to effectively deploy and utilise the investment. 3. **Enhanced procurement and competitive tension**: The proposal does not sufficiently demonstrate that competitive tension has been applied to major contracts. Jacana Energy recommends that: a) Major vendor contracts be subject to competitive tender processes, with results reported to the Commission. b) The TDE Stage 2 functionality be procured through a competitive process that considers alternative technology solutions. 4. **Productivity factor application**: Jacana Energy believes a non-zero productivity factor should be applied to at least non-reform costs. The significant investments in systems, tools, and people should deliver efficiency improvements over the five-year regulatory period. A productivity factor of zero does not incentivise NTESMO to realise these efficiency benefits and pass them on to customers.

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		5. **Alternative service delivery models**: For some functions, NTESMO could explore alternative service delivery models, such as: a) Sharing services with other Northern Territory government entities. b) Partnering with the Australian Energy Market Operator (AEMO) where synergies exist. c) Using cloud-based or software-as-a-service solutions rather than bespoke system builds. Jacana Energy recommends that the Commission request NTESMO to: 1. Present alternative expenditure scenarios with comparative analysis. 2. Demonstrate that competitive procurement processes have been followed. 3. Explain why alternative service delivery models have been rejected.
2. Operating expenditure		
1.2	**Stakeholders' views are sought on:**	
a)	the efficiency of base year expenditure.	Jacana Energy has concerns regarding the efficiency of the base year expenditure, particularly in light of the significant reallocations between System Control and Market Operator functions. Key concerns: 1. **Reallocation magnitude**: The base year reallocations result in a notional underspend by the System Control function of $4.4 million (26%) and a notional overspend by the Market Operator function of 1.2 million) appears to obscure significant changes in cost allocation between functions. 2. **Staff vacancies and resourcing**: The base year reflects $2.2 million (17%) less expenditure on personnel costs than approved revenue, which NTESMO attributes to difficulties retaining and recruiting staff. Jacana Energy seeks assurance that: a) The proposed step changes assume these vacancies will be filled, which may represent an optimistic assumption. b) NTESMO has a credible plan to address recruitment and retention challenges. 3. **Unregulated cost removal**: More than a third (approximately 36%) of NTESMO's expenditure was removed when developing the regulated services base year. Jacana Energy supports the removal of unregulated costs but seeks assurance that the cost allocation methodology is: a) Transparent and auditable. b) Consistent with the regulatory cost allocation methodology. c) Capable of being maintained post-separation when NTESMO becomes a standalone entity.

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		Jacana Energy recommends that the Commission: 1. Request further detail on the activity cost modelling that underpinned the reallocations. 2. Require NTESMO to demonstrate that the base year expenditure represents efficient costs, not just actual costs. 3. Require NTESMO to explain how vacancy rates will be addressed and whether this assumption is realistic.
b)	whether the proposed step changes are reasonable, prudent and efficient.	Jacana Energy has mixed views on the proposed step changes and does not agree that all have been demonstrated to be reasonable, prudent, and efficient. Step change cost (5 years) assessment: 1. **TDE maintenance $15.7m:** Ongoing maintenance is necessary once TDE is operational. However, Jacana Energy seeks assurance that the cost reflects competitive tendering and includes provisions for productivity improvements over time. The proposal notes the TDE "is expected to go live during the first year of the FY2028-32 regulatory period," yet maintenance costs of $3.5 million per annum from FY30 onwards appear high. 2. **System tools of $8.0m**: The business case does not sufficiently demonstrate the operational benefit of each individual tool. Jacana Energy notes these tools focus on system security with limited evidence of economic efficiency outcomes for customers. The proposal includes both existing tool maintenance (2.6m capex + $2.2m opex) but omits a clear cost-benefit analysis. 3. **Real-time system support $8.8m**: Formalising support arrangements is paramount and comes with a degree of urgency. However, Jacana Energy is concerned this may be a result of NTESMO's prior under-investment in adequate support arrangements. The reliance on an "informal, unfunded, and non-contractual arrangement" with PWC's SCADA team suggests this could have been addressed earlier. 4. **MSATS $1.9m:** Maintaining MSATS is necessary for effective market operations. However, Jacana Energy notes that AEMO charges have increased materially and that these increases should be subjected to prudency review. 5. **Review procedures and guidelines $1.6m**: Periodic review is appropriate. However, Jacana Energy questions whether external technical and economic expertise is required in addition to internal resources funded in the current period. The proposal notes funding was approved for internal resources but not professional fees for external support.

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		6. **TEM reform $10.8m**: Requires greater scrutiny. The uncertainty around the total cost (proposed $17.8m vs preliminary $46.6m) is concerning. Jacana Energy recommends that costs be clearly categorised as transitional or enduring through a defined cost category mapping. Cost-benefit analysis: 1. Jacana Energy is concerned that the step changes are weighted heavily toward system security and reliability, with some delivering negligible or only indirect benefits for retailers and end consumers. The proposal does not adequately quantify: a) The customer benefit per dollar invested. b) The efficiency gains (e.g. potential savings) linked to investments like the TDE. c) The impact on wholesale electricity costs or retail prices. Jacana Energy recommends that the Commission: 1. Request NTESMO to provide a more detailed cost-benefit analysis for each step change. 2. Require evidence that competitive procurement processes have been applied for major contracts. 3. Consider disallowing step changes where the customer benefits are not clearly demonstrated.
c)	whether the proposed approach to estimating corporate overheads is reasonable and efficient.	Jacana Energy has concerns regarding the proposed approach to estimating corporate overheads. Key concerns: 1. **Transition uncertainty**: The proposed approach involves a fundamental change from estimating corporate overheads as a share of PWC's corporate overheads to using the base-step-trend approach for standalone NTESMO corporate costs. Jacana Energy supports the intent of this change but is concerned that: a) The transition creates significant uncertainty regarding the quantum of corporate overheads that will ultimately be incurred. b) The $5.3 million negative step change for corporate overhead savings appears optimistic and may not be achievable in practice. c) The methodology for forecasting corporate overheads post-separation is not clearly articulated. 2. **Double counting risk:** There is a material risk of double counting between: a) Business-as-usual corporate costs allocated from PWC. b) New standalone corporate costs for NTESMO. c) Costs associated with the separation itself (which are treated as TEM Reform costs).

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		Jacana Energy notes NTESMO's statement that "following separation, NTESMO will be responsible for managing its own corporate overheads; and Power and Water's internal overhead forecasts will no longer be an appropriate basis for forecasting NTESMO corporate costs." This transition requires careful management to avoid duplication. 3. **Facility cost allocation:** The corporate capex of $8.3 million is primarily tied to a PWC-wide facility consolidation project. Given NTESMO's proposed separation from PWC, this allocation appears problematic: a) It is unclear how much of this expenditure will remain relevant post-separation. b) The proposal acknowledges the facilities plan "will need to be reviewed prior to our Revised Proposal to ensure they appropriately reflect the requirement for separation". c) This is a material uncertainty that should be resolved before cost recovery is approved. 4. **Cost allocation methodology:** Jacana Energy seeks assurance that: a) The cost allocation methodology has been updated to reflect the standalone NTESMO structure. b) Any allocations from PWC post-separation are equitable and transparent. c) Corporate capex for shared PWC corporate assets is appropriately treated post-separation. Jacana Energy recommends that: 1. NTESMO provide greater clarity on the transition to standalone corporate overheads. 2. The Commission require a detailed reconciliation between current corporate costs and proposed standalone corporate costs. 3. Any corporate capex related to PWC facility consolidation be deferred until the separation arrangements are finalised.
Capital expenditure		
1.3	**Stakeholders' views are sought on:**	
a)	the treatment of reprofiled TDE capital expenditure.	Jacana Energy is concerned about the treatment of reprofiled TDE capital expenditure and the potential for consumers to pay twice for the same capital. Key concerns: 1. **Revenue over-recovery:** As acknowledged by NTESMO, the reprofiling of TDE capex will result in an estimated revenue over-recovery of approximately $1.2 million. Consumers should not bear the cost of NTESMO's project delivery delays. NTESMO acknowledges this situation reflects a gap in the current regulatory framework and does not set the right incentive for NTESMO to deliver prudent capex projects in a timely way.

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		2. **Incentive framework:** The current regulatory framework does not adequately incentivise timely delivery of approved capex projects. Jacana Energy supports NTESMO's proposal to work with the Commission on an approach to address the over-recovery, but insists that: a) The solution must benefit consumers. b) The approach should create a stronger incentive for timely project delivery in future regulatory periods. 3. **Ex-post review:** Jacana Energy supports the Commission's intention to undertake an ex-post review of TDE capex. However, Jacana Energy is concerned that: a) The ex-post review may occur after costs have been recovered, making adjustment difficult. b) The review should include an assessment of whether the TDE has delivered expected benefits, not just whether costs were prudently incurred. c) The review should assess both the base TDE and any Stage 2 functionality. 4. **TDE stage 2 costs:** The proposal notes that TDE Stage 2 functionality will be required for compliance with TEM reform detailed market rules which are "still under development." Jacana Energy is concerned that: a) These costs are not included in the current proposal, creating uncertainty. b) There is a risk of significant "scope creep" where additional functionality is added to the TDE beyond what is strictly necessary. c) The total cost of TDE may increase beyond the $38.5 million approved in the current period, with unquantified additional costs for Stage 2. Jacana Energy recommends that: 1. The Commission develop a mechanism to ensure the $1.2 million over-recovery is returned to consumers (e.g. through a revenue adjustment in FY2028-29). 2. An independent audit of NTESMO's handling of the TDE investment to date. 3. The ex-post review of TDE be conducted promptly upon implementation. 4. Any TDE Stage 2 costs be subject to rigorous cost-benefit analysis before approval.
b)	the estimate of corporate capital expenditure given NTESMO's proposed separation from PWC.	Jacana Energy is not satisfied that the estimate of corporate capital expenditure is appropriate given NTESMO's proposed separation from PWC. Key concerns: 1. **Premature estimation:** The proposal acknowledges that planning for NTESMO's facilities arrangements is "preliminary." It is inappropriate to seek recovery of $8.3 million in corporate capex when the underlying requirements are not clearly defined.

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		2. **PWC-centric solution:** The $8.3 million forecast is primarily due to a PWC-wide program of works to bring all operations into a single site in Darwin. Now that NTESMO is to be separated from PWC: a) This plan and its costs will need to be reviewed. b) Alternative options (such as leasing facilities) should be considered. c) Any shared facility arrangements with PWC post-separation must be clearly defined. 3. **Separation cost gap:** NTESMO's TEM Reform cost forecast does not include property capital costs or lease and maintenance costs for separation. Jacana Energy is concerned that: a) These costs will ultimately be significant. b) Recovery through a future cost pass-through may be required. c) This creates uncertainty for consumers regarding the total cost of separation. Jacana Energy recommends that: 1. NTESMO develop a standalone facilities plan before the Revised Proposal. 2. The Commission require a comparative analysis of options (e.g. lease vs purchase, shared vs standalone facilities). 3. Any corporate capex related to separation be deferred until the facilities plan is finalised.
c)	whether NTESMO has demonstrated the capital expenditure for system tools is reasonable, prudent and efficient.	Jacana Energy does not agree that NTESMO has adequately demonstrated the capital expenditure for system tools is reasonable, prudent, and efficient. Key concerns: 1. **Operational benefit justification:** The proposal for five new system tools omits sufficient detail on: a) The specific operational benefits of each tool. b) The quantification of these benefits in terms of customer outcomes. c) Why each tool is required now, rather than being phased in over time. d) Why existing systems cannot be upgraded at lower cost to facilitate intended tool functionality. 2. **Total cost of ownership:** The proposal includes capex of $2.6 million and ongoing opex of $5.4 million for system tools (total $8.0 million). However, Jacana Energy notes: a) The total cost of ownership may increase over time as vendor support and maintenance costs grow. b) Without a clear digital lifecycle management strategy, these tools may become outdated, requiring further investment. c) The proposal does not include allowance for eventual replacement or upgrade.

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		3. **Efficiency outcomes:** Jacana Energy is concerned that the system tools focus primarily on system security and reliability, with limited evidence of: a) How they will enable more efficient dispatch. b) How they will reduce wholesale electricity costs. c) The economic efficiency benefits that will flow to customers. Jacana Energy recommends that: 1. NTESMO provide a detailed cost-benefit analysis for each system tool. 2. The Commission require evidence that competitive procurement processes have been applied. 3. NTESMO demonstrate how the system tools will deliver economic efficiency benefits to customers.
TEM reforms		
1.4	**Stakeholders' views are sought on:**	
a)	whether NTESMO adequately justifies the TEM reform-related expenditure for recovery, noting that only efficient costs clearly linked to known regulatory obligations and that can be reasonably forecast should be included in the proposal.	Jacana Energy does not agree that NTESMO has adequately justified the TEM reform-related expenditure for recovery. Key concerns: 1. **Uncertainty and risk:** The gap between the proposed recovery amount (46.6 million) is substantial (approximately $28.8 million). This creates significant uncertainty for retailers who must incorporate these costs into pricing models. Jacana Energy recommends that costs be clearly categorised as transitional or enduring through a defined cost category mapping. 2. **Scope creep:** The proposal includes costs related to "resourcing to support implementation," but does not clearly define: a) What activities are included in this category. b) When the implementation phase ends and ongoing operations begin. c) How costs will be tracked and reported. 3. **Settlement system cost justification:** The proposal includes $1.3 million in capex for developing an upgraded settlement system. Jacana Energy seeks assurance that: a) The scope of the upgraded settlement system is clearly defined. b) The scope of the upgraded settlement system would only progress if TEM reforms are implemented. c) Alternative solutions (including leveraging existing systems) were considered. d) The settlement system will deliver tangible benefits to market participants.

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		4. **Corporate overheads:** The proposal includes a $5.3 million negative step change for corporate overhead savings. Jacana Energy is concerned about the achievability of these savings given the need for NTESMO to establish standalone corporate functions. Jacana Energy recommends that: 1. TEM reform costs be ring-fenced from other costs so the cost of market reform is clearly visible. 2. NTESMO provide a detailed breakdown of implementation costs by activity. 3. The Commission require regular reporting on TEM reform cost progress against budget.
b)	whether NTESMO demonstrates the costs to be recovered are prudent and efficient.	Jacana Energy does not agree that NTESMO has demonstrated the costs to be recovered are prudent and efficient. Key concerns: **1. Pre-implementation cost estimation:** The proposal seeks recovery of costs before the detailed market rules are finalised. This is premature. Jacana Energy believes: a) Only costs clearly linked to known regulatory obligations should be recovered. b) Costs that depend on rules yet to be developed should be subject to a future cost pass-through, not included in the current proposal. 2. **Competitive procurement:** The proposal does not demonstrate that competitive procurement processes have been applied for major contract items. Jacana Energy recommends that: a) Major contracts (e.g. for the settlement system etc) be subject to competitive tender. b) An independent audit conducted and results of tender processes be reported to the Commission. **3. Transition duplication:** Jacana Energy is concerned that there will be duplication between legacy arrangements and new TEM structures. For example: a) Will there be a period where both old and new systems operate in parallel? b) What are the costs of this parallel operation? c) How will NTESMO ensure this period is minimised? d) How will NTESMO's transition approach impact market participants? **4. Prudency Review:** Jacana Energy supports the establishment of an independent prudency review mechanism for TEM reform costs, similar to the ex-post review proposed for TDE capex.

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		Jacana Energy recommends that: 1. NTESMO provide a more detailed business case for each TEM reform cost category. 2. The Commission require evidence of competitive procurement for major contracts. 3. NTESMO quantify any transition duplication costs and explain how they will be minimised.
c)	whether additional safeguards are needed to manage uncertainty relating to reform scope, timing and future cost pass-throughs.	Yes, Jacana Energy believes additional safeguards are needed to manage uncertainty. Proposed safeguards: 1. **Governance milestones:** Jacana Energy recommends well-defined governance milestones, including: a) Clear stage gates for TEM reform implementation. b) Requirement for independent progress reports to the Commission. c) Formal readiness assessments before go-live. 2. **Cost tracker:** A transition cost tracker with frequent reporting should be established, including: a) Budget vs actual tracking for all TEM reform costs. b) Explanation of variances. c) Regular reporting to the Commission and stakeholders. 3. **Scalable solutions:** Jacana Energy supports a preference for scalable, fit-for-purpose solutions rather than bespoke or over-engineered systems. This reduces the risk of cost overruns and ensures solutions are appropriate for the NT market. 4. **Pass-through protections:** Jacana Energy is concerned that the pass-through mechanism may allow NTESMO to recover costs without adequate scrutiny. Jacana Energy recommends: a) A lower materiality threshold to assure assessment of TEM reform-related pass-throughs. b) Requirement for the Commission to approve the recovery profile. c) Provision for independent verification of processes undertaken and costs. 5. **Customer impact assessment:** Before any significant TEM reform cost pass-through is approved, a customer impact assessment should be prepared and published. 6. **Transitional arrangements:** Given the potential complexity of TEM reforms, Jacana Energy believes a transitional approach is likely needed. Contingency arrangements should be established and pre-approved. Jacana Energy recommends that the Commission:

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		1. Require NTESMO to include governance milestones and cost reporting in its Revised Proposal. 2. Establish clear criteria for TEM reform cost pass-throughs. 3. Require customer impact assessments for significant cost pass-throughs.
d)	how risks associated with reform implementation should be allocated between NTESMO and consumers.	Jacana Energy believes that risks associated with reform implementation should be allocated to the party best able to manage them. Risk allocation principles: 1. **Scope risk:** If the scope of TEM reforms changes due to government decisions (e.g. new market rules not foreseen in the current legislation), the risk should be shared: a) NTESMO should bear the risk of inefficient implementation. b) Consumers should bear the risk of legitimate scope changes, but only through a transparent pass-through process with appropriate safeguards. **2. Cost overrun risk:** NTESMO should bear the risk of cost overruns caused by: a) Inefficient project management. b) Failure to negotiate competitive contracts. c) Inadequate project planning. Consumers should only bear the risk of cost overruns caused by: a) Scope changes outside NTESMO's control. b) External factors (e.g. significant changes in market vendor pricing). **3. Timing risk:** If TEM reforms are delayed due to factors outside NTESMO's control (e.g. delayed market rules), consumers should not bear the cost of maintaining readiness for extended periods. NTESMO should: a) Have contingency plans to manage delays. b) Only recover costs for readiness activities that are genuinely necessary. **4. Financial risk:** NTESMO should have "skin in the game" to incentivise efficient delivery. This could include: a) A requirement to share any cost underruns with consumers. b) A provision that cost overruns are not automatically recoverable. **5. Readiness risk:** Jacana Energy supports the establishment of an independent third-party readiness assessment of NTESMO prior to operationalising expanded functions. Binding go-live gates should apply, with a contingency framework pre-approved by the Commission.

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		Jacana Energy recommends that: 1. The Commission establish clear risk allocation principles for TEM reform implementation. 2. NTESMO be required to provide regular risk reporting. 3. A mechanism be established to share cost underruns with consumers.
Productivity factor		
1.5	Stakeholders' views are sought on:	
a)	whether a productivity factor of zero is appropriate for the 2027-32 regulatory period.	No. Jacana Energy believes that a non-zero productivity factor should be applied for the 2027-32 regulatory period. Reasoning: 1. **Scale of investment:** NTESMO is undertaking significant investment in systems, tools, and people. This investment should deliver efficiency improvements over the five-year regulatory period. A non-zero productivity factor would incentivise NTESMO to realise the benefits from these investments and pass them on to customers. 2. **NTESMO's justification is inadequate:** NTESMO has referenced three key reasons to support a productivity factor of zero: a) The scale of the Northern Territory electricity market and NTESMO. b) Changing operating environment. c) Northern Territory electricity market reforms. Jacana Energy believes that items 1 and 2 do not adequately justify a productivity factor of zero as they appear "business-as-usual" in nature for the industry that NTESMO operates within. While Jacana Energy agrees that the TEM reforms are an external factor impacting NTESMO, this alone does not justify a productivity factor of zero across all operating expenditure. 3. **Comparable jurisdictions:** Where a productivity factor is applied to other market and system operators of broadly comparable scale, the rate ranges from 0.3% to 0.6%. NTESMO has not adequately explained why it is different from these comparable operators. NTESMO notes that in the case of AEMO, no productivity factor is applied because AEMO is "responsible for delivering system-wide outcomes, which are more important than achieving efficiencies." However, NTESMO has not demonstrated that it faces similar constraints. 4. **Asset-light structure:** NTESMO's structure provides limited opportunity for input substitution or traditional capital-labour trade-offs. However, this does not mean there is no scope for productivity improvement, particularly in:

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		a) Process efficiency. b) Use of technology to reduce manual effort. c) Leveraging lessons from other jurisdictions. 5. **Outer years:** As the determination period is for five years, a productivity factor of zero may become increasingly inappropriate in the outer years as systems mature and efficiency opportunities emerge. Jacana Energy recommends that the Commission: 1. Apply a productivity factor in the range of 0.3% to 0.6% to non-reform opex. 2. Require NTESMO to demonstrate how it will achieve productivity improvements. 3. Consider a higher productivity factor in outer years as NTESMO operations and systems mature.
b)	whether reform and non-reform costs should be treated differently when applying productivity expectations.	Yes, Jacana Energy believes reform and non-reform costs should be treated differently. Reasoning: 1. **Ring-fencing reform costs:** It may be appropriate to ringfence costs relating to market reform and only apply a productivity factor to non-reform costs. This recognises that: a) Reform costs are transitional and may not be amenable to productivity improvements in the short term. b) Existing functions are more mature and should be subject to efficiency expectations. **2. Phasing of productivity expectations:** As the determination period is for five years, a productivity factor of zero for reform costs may not be appropriate in the outer years. What starts as "reform" costs may become "business-as-usual" costs and should then be subject to productivity expectations. **3. Investment realisation:** For costs associated with major investments (e.g. TDE maintenance, System Tools), Jacana Energy believes a productivity factor should apply in the outer years as the benefits of these investments are realised. **4. Cost category mapping:** Jacana Energy supports clear categorisation of costs as transitional or enduring, which would facilitate the application of differentiated productivity factors.

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		Jacana Energy recommends that: 1. The Commission consider applying a productivity factor to non-reform costs only. 2. A transitional arrangement be considered for reform costs, with productivity expectations introduced in the outer years. 3. NTESMO be required to clearly distinguish between reform and non-reform costs in its expenditure forecasting.
KPIs		
1.6	Stakeholders' views are sought on:	
a)	whether the proposed KPIs provide an appropriate and balanced representation of performance.	Jacana Energy does not agree that the proposed KPIs provide an appropriate and balanced representation of performance. Key concerns: 1. **Focus on existing functions:** The proposed KPIs only cover NTESMO's existing functions. NTESMO notes "Our proposed KPI's focused on our existing functions to enable time for new reform functions to be integrated into our business as usual operations before KPIs were developed." It is unclear whether NTESMO's new TEM-related functions have been considered when setting the KPIs. Jacana Energy recommends this be clarified in the proposal. 2. **Lack of economic / efficiency KPIs:** The proposed KPIs focus on system security, reliability, and process compliance. There are no KPIs that: a) Measure the economic efficiency of NTESMO's operations. b) Assess whether NTESMO is delivering value for money. c) Consider the risk-adjusted cost of electricity. 3. **Stakeholder engagement:** The proposed KPIs do not adequately capture stakeholder engagement or transparency. While a new industry engagement KPI has been added, it appears limited to "frequency and timeliness of publication of industry updates" (target: no less than 2 per year) rather than meaningful stakeholder engagement. 4. **TDE benefits:** There is no KPI measuring the benefits from the significant TDE investment. Jacana Energy notes that the ex-post review will address this, but regular performance reporting would provide greater transparency. Jacana Energy recommends that:

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		1. NTESMO consider adding a KPI that measures the risk-adjusted cost of electricity. 2. The economic efficiency of NTESMO's operations be explicitly measured. 3. KPIs for new TEM functions be developed and included in the Revised Proposal.
b)	the clarity, measurability and relevance of the proposed KPI targets.	Jacana Energy has mixed views on the clarity, measurability, and relevance of the proposed KPI targets. Assessment of proposed KPIs: 1. **Forecast accuracy supported**: Clear and measurable. However, Jacana Energy notes the Tennant Creek exemption is reasonable given the system's characteristics. 2. **Secure, reliable and compliant operation supported in principle**: However, the 99.5% target may not adequately incentivise improvement beyond the current "business-as-usual" level. 3. **System black events supported**: Clear and meaningful target of zero. 4. **Settlement timeliness supported**: However, Jacana Energy notes the previous compliance issues with settlement statements (six incidents in 2023-24, two in 2024-25) and seeks additional detail if the 100% target is only achievable amongst the $1.3 million in capex for developing an upgraded settlement system? 5. **Settlement accuracy supported**: However, the <2 per year target may be too generous given previous compliance issues. 6. **System availability supported**. The 99.99% target is appropriate for mission-critical systems. 7. **Industry engagement partially supported**. The target of "no less than 2 per year" appears too low to demonstrate meaningful engagement. Jacana Energy recommends that: 1. The settlement accuracy target be reviewed to ensure it adequately incentivises improvement. 2. The industry engagement target be increased to demonstrate meaningful engagement. 3. NTESMO provide a clear methodology for measuring each KPI.

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c)	whether additional KPIs should be considered, including measures of benefits from investment in the TDE and new TEM-related reforms.	Yes, Jacana Energy believes additional KPIs should be considered. Proposed additional KPIs: 1. **Risk-adjusted cost of electricity**: KPIs that consider the risk-adjusted cost of electricity would incentivise NTESMO to focus on economic dispatch and efficient outcomes. This is particularly relevant given NTESMO's intended centralised procurement function. 2. **TDE performance benefits**: KPIs that measure the benefits of TDE investment would provide transparency on whether this significant investment ($38.5 million approved capex, plus ongoing maintenance) is delivering value. Potential measures could include: a) Reduction in dispatch cost compared to previous manual processes. b) Reduction in renewable curtailment. c) Improvement in dispatch accuracy. 3. **Market participant confidence**: KPIs that measure market participant confidence in NTESMO's market operations would provide valuable feedback on NTESMO's performance. 4. **TEM reform benefits**: As new TEM-related functions are implemented, KPIs should be developed to measure: a) Efficiency of centralised procurement outcomes. b) Quality of system planning outputs. c) Effectiveness of new settlement arrangements. 5. **Operational transparency**: KPIs focusing on timeliness and clarity of operational notices and dispatch instructions. Jacana Energy recommends: 1. Adding risk-adjusted cost of electricity KPIs. 2. TDE benefits KPIs be developed and implemented. 3. KPIs for new TEM functions be developed and included in the Revised Proposal.
Regulated charges and customer impacts		
1.7	Stakeholders' views are sought on:	
a)	the distributional impacts of proposed charges across different customer classes.	Jacana Energy has concerns regarding the distributional impacts of proposed charges. Key concerns:

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		1. **Uniform volumetric charge:** The proposed charges are applied uniformly on a c/kWh basis. This means: a) Customers with higher consumption (typically C&I customers) pay more in absolute terms. b) Customers with lower consumption (typically residential and small business) pay less in absolute terms. c) However, the frequency as a percentage of total electricity costs may be higher for some customer segments. 2. **Residential vs C&I impact:** While residential customers are protected by the Electricity Pricing Order (EPO), C&I customers are not. Jacana Energy notes that: a) C&I customers are already facing increased costs due to the wholesale contracting model. b) Additional NTESMO cost increases may make NT operations unviable for a growing number of C&I customers. c) NTESMO costs have broader economic implications for the NT which require impact assessment. Jacana Energy recommends that: 1. NTESMO undertake a detailed distributional impact assessment. 2. The Commission consider the impact on C&I customers and the broader NT economy. 3. Current tariff structures be reviewed to ensure equitable outcomes spanning all customer segments.
b)	whether alternative tariff structures should be explored including options for fixed monthly charges.	Jacana Energy has mixed views on alternative tariff structures. Current preference: 1. **Retain fully variable approach:** Jacana Energy currently prefers retaining the fully variable approach. Any change to a fixed monthly charge would: a) Require retailers to make implementation investments. b) Create complexity in billing systems. c) May not deliver the intended equity outcomes. 2. **Conditional support:** Jacana Energy could support an alternative tariff structure where it: a) Demonstrably improves equity across customer segments. b) Reduces cost recovery challenges for retailers. c) Is implemented with adequate notice and consultation. 3. **Information requirements:** Additional information is required to assess impacts and support informed feedback, including:

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		a) Clearer detail on proposed design parameters (including the billing determinant for any fixed charge). b) Comparative modelling of alternative tariff structures. c) Assessment of implementation costs for retailers. Jacana Energy recommends that: 1. NTESMO provide further analysis and engagement on tariff structure options. 2. Any move toward fixed charges be accompanied by a detailed impact assessment. 3. Implementation timeframes to allow retailers to make required changes.
c)	the adequacy of NTESMO's analysis of bill impacts.	Jacana Energy considers NTESMO's analysis of customer bill impacts to be inadequate. Key concerns: 1. **Limited scope:** The customer bill impact analysis focuses primarily on residential customers located in Darwin-Katherine. It does not adequately address: a) The cumulative impact of all NTESMO cost increases on different customer segments. b) The impact on C&I customers (who are not safeguarded by the EPO). c) The interaction with other electricity cost increases (e.g. network costs, generation costs). 2. **CSO interaction:** The analysis does not consider the interaction between NTESMO cost increases and the CSO subsidy. If NTESMO cost increases lead to higher CSO costs, this has implications for: a) NT Government budget. b) The CSO cost-gap methodology. **3. Affordability:** The analysis does not adequately consider affordability for: a) C&I and small businesses with limited ability to absorb cost increases. b) Vulnerable customers who may face increased costs without additional support. **4. Competitive impacts:** The analysis does not consider the impact on: a) Competition in the NT retail market. b) The ability of retailers to offer competitive prices. c) Customer churn and market concentration. 5. **Price certainty:** Jacana Energy requires price certainty in a timely manner (end of March) to adequately communicate price changes and update billing systems. Without this, customers face late and unexpected price changes. NTESMO's proposal does not address how its pricing will align with retail price-setting cycles.

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		Jacana Energy recommends that: 1. NTESMO undertake a more comprehensive bill impact analysis. 2. The analysis includes all customer segments and the broader NT economy. 3. The Commission consider the impact on vulnerable customers.