

YOUR REF: 18:D19:49394

REFERENCE NUMBER:

JED2020/12426

Mr Lyndon Rowe
Commissioner
Utilities Commission

Dear Mr Rowe

Re: Review of the Northern Territory Electricity Ring-Fencing Code and Guidelines

Thank you for your letter dated 20 March 2020 providing an update on the review of the Northern Territory Electricity Ring-fencing Code (the Code), as an action of the Northern Territory Renewable Energy and Electricity Market Reform Implementation Plan, and the opportunity to make a submission on the Draft Decision and draft amended Code.

In an earlier submission, Jacana Energy suggested adopting the AER Guidelines in full (with amendments as may be required). It is noted that this has been adopted in respect of the Power Services Business Unit to the extent that it is regulated by the AER to reduce duplication.

Jacana Energy is responsible for the wholesale purchase and sale of electricity to customers in various regions across the Northern Territory. Jacana Energy procures energy from Territory Generation (TGEN) and EDL (Pine-Creek), and will take supply from three solar farms owned and operated by ENI in 2020 (45 MW in aggregate). Jacana Energy may procure additional renewable energy in the future, and may also procure energy from dispatchable plant (e.g. gas plant, renewable plant co-located with batteries) to meet future reliability obligations.

Integral to encouraging future generation investment in the Territory and achieving efficient market outcomes is for System Control to make dispatch decisions that are least cost for the electricity market, while meeting current reliability obligations.

Keeping System Control within the Power and Water Corporation (PWC) raises numerous competitive neutrality issues. For example, could PWC dispatch generation plant out-of-merit order in order to overcome the failure (or repeated failure) of a network asset, and/or facilitate network maintenance by PWC's Power Service business unit. The out of merit order costs will be borne by electricity market participants and not the network operator, therefore providing no incentives for PWC to fix that network asset or undertake maintenance when it is least cost to do so in the electricity market.

PWC also has a competitive gas business which sells gas to TGEN and other gas customers in the Territory and the East Coast Gas Market (via the Northern Pipeline). Could System Control dispatch plant that enables PWC's gas business to optimise the value of its gas portfolio? For example, minimising the dispatch of gas plant if PWC's gas business can maximise spot or gas sales into the Eastern States (i.e. gas market prices are higher than TGEN's contracted gas

price). Alternatively, maximising gas generation if PWC's gas business has surplus gas requirements.

Optimising the value of PWC's gas portfolio should be achieved through commercial arrangements between TGEN and PWC's gas business, and not via any formal or in-formal instructions by PWC management to System Control.

Jacana Energy does not have a view on whether the examples outlined earlier are occurring at the current time and only raises them for illustrative purposes. However, if the potential for System Control to dispatch plant out of merit in order to maximise the value of PWC exists, then measures should be put in place to avoid any such anti-competitive actions.

This will provide confidence to investors that the electricity rules in the Territory are sufficiently robust to enable them to develop new generation and battery projects without having to factor in potential anti-competitive actions of PWC with regards to generation dispatch decisions.

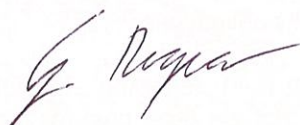
Jacana Energy endorses recommendations 4 and 5 of the draft Ring-fencing Code, that is, stronger ring-fencing arrangements to minimise the potential for System Control to advantage PWC's gas supply business and PWC's management of network outages.

In particular, developing and publishing a clear set of protocols for generator dispatch and for outage planning will be important in providing confidence to the market that System Control is operating independently of other PWC business units.

It would also be useful for the market to understand when System Control has dispatched plant out of merit order and what the justification for this was. This could be published on a regular basis so that market participants can understand the nature of these events and factor this into their own generation dispatch planning.

Please contact me if you require any further clarifications on our submission.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'G. Draper', written in a cursive style.

Grant Draper
Acting Chief Executive Officer

29 April 2020