2027-32 Review of System Control and Market Operator Charges - Draft Decision Summary

UTILITIES COMMISSION OF THE NORTHERN TERRITORY

This document summarises the Utilities Commission's draft decision on NTESMO's proposed system control and market operator charges for 2027–32. It does not constitute the Commission's draft decision and should be read alongside the full draft decision, which sets out the Commission's assessment and reasons. If there is any inconsistency, the full draft decision prevails.

What is being reviewed?

NTESMO is part of Power and Water Corporation (PWC). It operates the Darwin-Katherine, Alice Springs and Tennant Creek power systems in a secure and reliable state and operates the Darwin-Katherine wholesale electricity market. Electricity retailers pay charges to cover these services.

The Utilities Commission (the Commission) is reviewing NTESMO's proposed expenditure, revenue and charges for the period 1 July 2027 to 30 June 2032. NTESMO proposes to recover $177.3 million ($ real 2026-27) over the regulatory period. This includes yearly base operating costs of $19.4 million ($ real 2026-27).

The proposed expenditure would cover the day-to-day operations, including staff, systems, corporate services, specialist support and maintenance of the Territory Dispatch Engine (TDE). It also proposes to recover the costs of establishing NTESMO as an independent statutory corporation from 1 July 2027 and commencing new responsibilities in electricity planning, procurement and market settlement under the TEM reforms.

What has the Commission decided?

The Commission has made a draft decision not to accept NTESMO's proposed revenue and charges for 2027-32 period. The Commission can only accept NTESMO's proposed revenue and charges if it is satisfied that the expenditure components are prudent (i.e. necessary and based on sound decisions) and efficient (i.e., represent efficient costs).

The Commission accepts elements of NTESMO's proposed 2027-32 expenditure. The elements that have not been accepted either:

- require further evidence to demonstrate prudency and efficiency; or
- are associated with separation and TEM reform activities that are not sufficiently certain to allow rigorous cost forecasts to be made at this stage.

In NTESMO's revised proposal the Commission is seeking further evidence to establish prudency and efficiency of costs where possible. Expenditure forecasts for which further evidence is sought include existing and new system tools, real-time support services, corporate capital expenditure, and separation and TEM reform expenditure.

As separation and TEM reform costs are likely to remain uncertain at the time of our final decision on charges for the 2027-32 period, the Commission has proposed a temporary

uncertainty mechanism - the Separation and TEM Reform Uncertainty Mechanism. This mechanism will allow NTESMO to apply to recover verifiable separation and TEM reform costs within the 2027-32 period, once their scope, timing and size are clearer.

What costs does the Commission propose to accept?

In this draft decision, the Commission proposes to accept $19.4 million in base year operating costs ($ real 2026-27). The Commission also proposes to accept:

- support and maintenance costs for the TDE from 2028–29
- specified market systems costs, after removing GST
- the revised allowance for routine reviews of procedures and guidelines, and
- the capital spending on the TDE, based on the most recent advice on project timing.

How would uncertain reform costs be managed?

The Commission proposes a temporary mechanism, the Separation and TEM Reform Uncertainty Mechanism, which would apply only from 2027 to 2032.

It would let NTESMO apply for approval of separation and electricity market reform costs once their scope, timing and size are clearer. This avoids including uncertain costs in charges now.

NTESMO could apply in years two, three and four of the regulatory period. Each application would need to be worth at least 5% of that year's revenue requirement.

Approval would not be automatic. NTESMO would need to demonstrate that the costs are directly linked to the reforms, necessary, efficient and not already covered by existing allowances. It would also need to identify any related cost savings.

The Commission proposes to consult the public on each application. Approved amounts could affect charges from 2029–30.

What could this mean for charges and electricity bills?

The table below compares the draft decision's indicative charges for 2027–28 with NTESMO's proposed charges:

Charge	2026-2027 charges (cents per kilowatt hour)	Indicative draft decision charge (cents per kilowatt hour)	NTESMO's proposed charge (cents per kilowatt hour)
System control	1.2047	0.9083	1.2982
Market operator*	0.3613	0.6386	0.6011

*The draft decision agrees to the reallocation of some costs from system control to the market operator. This is why the indicative market operator charge is higher than NTESMO's proposal.

System control charges apply across the three regulated power systems. Market operator charges apply only in Darwin-Katherine.

These charges are indicative and have not been approved. The final approved charges may be higher if NTESMO provides further evidence to support the costs that are currently excluded.

Separation and TEM reform costs approved under the Separation and TEM Reform Uncertainty Mechanism could also increase charges later in the period.

Residential and small business customers covered by the Territory Government's Electricity Pricing Order are largely protected from increases in charges. However, higher charges can increase government subsidy payments, which ultimately affects taxpayers. Larger customers may be affected more directly by approved increases in charges.

What happens next?

Stakeholder feedback

The Commission is seeking feedback on its draft decision by **5pm on Friday 22 January 2027**. Email submissions to utilities.commission@nt.gov.au in Word or PDF format. Please clearly mark any confidential information, explain why it is confidential, and provide a version suitable for publication.

Revised proposal

PWC must submit NTESMO's revised proposal by 26 February 2027. The Commission expects to make its final decision no later than May 2027, with approved charges to commence on 1 July 2027.