

17 January 2019

The Executive Officer  
Utilities Commission of the Northern Territory  
GPO Box 915  
Darwin NT 0801

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

Dear Executive Officer,

**Subject: 2018 System Control Charges Review**

Rimfire Energy welcomes the opportunity to provide its submission to the Utilities Commission (“the Commission”) regarding the 2018 System Control Charges Review.

Introduction

Rimfire Energy acknowledges that the system control and market operator functions performed by Power and Water Corporation (“PWC”) have changed substantially since the current regulated charges were approved by the Commission in 2000.

Considering the above substantial changes to the system control and market operator functions, and without commenting on the appropriateness of the quantum of the proposed increase in the system control charges, Rimfire Energy is supportive of PWC’s ability to appropriately recover the operating costs associated with performing those functions.

However, Rimfire Energy would like to focus its submission to the Commission on the issues raised in *Chapter 5: Financial impact on stakeholders*, with specific reference to the following issues regarding electricity retailers:

*Chapter 5: Financial impact on stakeholders*

*“Any change to system control charges will flow through to electricity retailers, and depending on government policy, may impact the profitability of the retailers and/or the cost of electricity for consumers.*

*Consistent with the Territory Government’s uniform tariff policy, electricity prices for small and medium-sized households and businesses (customers consuming less than 750 MWh per annum) are regulated through a pricing order issued by the Treasurer in accordance with section 44(1)(a) of the Act.*

*The Territory Government provides retailers with a community service obligation (CSO) payment to fund the shortfall between the regulated tariff and the cost of supply. Accordingly, **any increase to the cost of supply as a result of an updated system***

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***control charge will impact retailers' profitability if the CSO payment is not increased by government or if pricing order tariffs are not increased accordingly."***

### Rimfire Energy Comments

As noted in the issues paper Chapter 5 extract quoted above, the Northern Territory Government provides a CSO payment to retailers to fund the shortfall between the regulated tariff and the cost of supply.

Should the proposed increase in the system control charges be implemented without either an equivalent increase in the CSO payment (a cost to the NT Government), or an equivalent increase in the regulated tariff (a cost to the consumer), the sale of electricity to regulated customers would become a loss-making exercise for retailers.

Such an impact would necessarily result the exit of retail competition from the <750 MWh regulated customer segments of the electricity supply industry, contrary to the overall objectives of the ongoing electricity reform process since it commenced in 2000.

### Conclusion

While Rimfire Energy is supportive of PWC's ability to recover its operating costs for providing system control and market operator functions, the approval of increased system control charges without an equivalent increase in either the CSO payment or the regulated tariff would result in retailers not being able to recover the cost of supply of the electricity sold.

Such an outcome would simply be a case of transferring any current losses from PWC, as the market operator, onto the existing retailers operating within the regulated customer segments in the Territory.

This situation would end any retail competition in the regulated customer segment as independent retailers exited this part of the market, and leave just the NT Government owned retailer to incur the existing losses referred to in the issues paper, instead of the NT Government owned market operator, as is currently the case.

Regards

**Warwick Lyon**  
General Manager - Retail