

29 January 2020

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JED2020/4566

Mr Lyndon Rowe
Utilities Commissioner
Utilities Commission of the Northern Territory
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Dear Mr Rowe

Draft Decision on PWC's Proposed Amendments to Codes- Generator Performance Standards

Jacana Energy welcomes the opportunity to comment on the Utilities Commission (UC) Draft Decision on PWC's Proposed Amendments to the Generator Performance Standards (GPS).

Jacana Energy acknowledges the need for a revised GPS and recognises that Power and Water Corporation (PWC) must balance network and system security and reliability while accommodating increasing volumes of renewable generation into the future.

Jacana Energy and ultimately its customers bear the impacts of both wholesale market and network and system changes from both a cost and customer experience perspective. Consequently, this requires energy retailers such as Jacana Energy to assess proposed market and network/system changes holistically rather than in isolation.

In considering how to meet customer demand into the future, Jacana Energy must ensure it can meet customer energy demands in the most economical way possible. As such, Jacana Energy's comments below seek to ensure that the GPS do not preference one source of generation over another and ultimately facilitates the connection of a diverse range of energy sources to deliver an economically efficient, stable and reliable electricity supply to customers.

Whilst the UC's Draft Decision on the GPS goes some way to further limit the financial impacts of network connection for new entrant generators, there is still potential for the proposed changes to substantially increase wholesale energy prices in the near future.

To date Jacana Energy has sought to limit the impact of cost increases to customers through diversification of its supply portfolio by contracting 45MW of solar energy, due to come online within the next 12 months. The retrospective application of the amended GPS to these new entrants' projects that may increase grid connection costs and potentially result in increased costs being passed through to customers.

With these impacts in mind, Jacana Energy provides feedback on the following topics:

1. Minimum capacity forecasting requirements and the issue of supply reliability;
2. Frequency control and the creation of an ancillary services market; and
3. Interim arrangements for PWC to transition to the revised GPS.

1. Minimum capacity forecasting requirements and the issue of supply reliability

Jacana Energy does not support the introduction of minimum accuracy requirements for capacity forecasting for new entrant generators as proposed in clause 3.3.5.17 of the Network Technical Code.

Requiring all forms of new generation to be scheduled through such onerous forecasting requirements creates inequities between new entrant and incumbent generators, adding unnecessary complexity and costs for new entrants and consequently impeding future renewables investment.

Whilst Jacana Energy recognises that the UC has proposed changes to the process for proponents to negotiate an alternative arrangement with PWC, it does not believe that these changes go far enough in levelling the playing field between new and incumbent generators and does not highlight the broader market issue around supply reliability.

Jacana Energy acknowledges that the GPS must ensure the reliability and stability of both the network and system, however it does not believe the obligation should not be on new entrants to compensate for pre-existing reliability issues. This is particularly pertinent in the NT, where these requirements will add significant additional costs for new entrants with very little prospect of offsetting these costs via wholesale market incentives that would usually apply in more mature energy markets (such as ancillary service payments).

Given there is no precedent within other more mature Australian energy markets for the proposed minimum forecast requirements, Jacana Energy questions whether such a proposed clause within the GPS is the appropriate mechanism to address the broader issue of system reliability and stability.

Jacana Energy suggests that the UC does not consider the proposed changes to the GPS in isolation from other energy market reform activities and agrees with other submissions that have stated there are potentially more economically efficient mechanisms to address network and system reliability and stability outside of the GPS framework. These alternatives may result in a more efficient allocation of costs and benefits across all market participants.

2. Frequency control and the creation of an ancillary services market

Jacana Energy welcomes the UC's proposed amendments to clauses 3.3.5.11 and 3.3.5.15 of the Network Technical Code to make frequency control services subject to energy source availability. Consistent with Jacana Energy's views above, this is again a significant imposition on new entrant generators that currently have no mechanism to be compensated for any ancillary services they may provide. The resulting impact without the UC's proposed

amendments would likely result in a significant increase in cost for new entrants with no market benefit, given compensation for ancillary services is currently only paid to Territory Generation.

Jacana Energy would prefer that all generators capable of providing frequency control services are adequately compensated for providing this service. New entrants should not be prevented from being compensated for these services where they can do so at demonstrably lower cost than current arrangements.

Jacana Energy believes that the introduction of a competitive ancillary services market is critical to achieving greater efficiencies within the NTEM. Given the potential for significant cost savings by procuring these services from a broader range of sources, Jacana Energy is keen to see competition in ancillary services introduced as soon as possible. A competitive market is more likely to ensure a lower-cost outcome for customers by incentivising the market to find effective solutions, rather than relying on a single service provider.

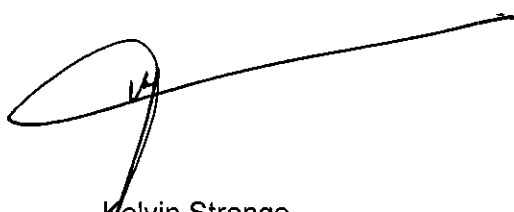
A competitive ancillary services market would in turn provide additional financial incentives for the provision of these services as required under the proposed GPS and ultimately improve the business case for renewables investment.

3. Interim arrangements for PWC to transition to revised GPS

Jacana Energy acknowledges that PWC may require a transitional period to administer some aspects of the proposed GPS, however it requests that the UC ensure that transition timeframes are clearly stipulated and enforced within the GPS framework. Jacana Energy does not support open-ended timeframes for PWC to become fully compliant with the revised GPS as this ultimately may result in significant delays in connecting new generation sources to the grid.

Thank you for the opportunity to comment on the UC's Draft Decision. Please do not hesitate to contact the writer should you wish to discuss these submissions further.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized loop on the left and a long, horizontal stroke extending to the right.

Kelvin Strange
Acting Chief Executive Officer

