



Our file ref:
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Ms Vanessa Sutcliffe
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Dear Ms Sutcliffe

Re: Review of Wholesale Electricity Generation Market

Thank you for the opportunity to comment on the Draft Report for Consultation titled "Review of the Wholesale Electricity Generation Market", released on 23 December 2013.

The Regulatory Minister has requested advice on the preferred arrangements for the wholesale electricity market which meet the four market objectives to:-

- a) Promote the economically efficient, safe and reliable production and supply of electricity and electricity related services of the Territory;
- b) Facilitate competition among generators and retailers in the Territory's electricity system, including enabling efficient entry of new competitors;
- c) Minimising the long-term cost of electricity supplied to customers from the Territory's electricity system; and
- d) Encourage the use of measures that more efficiently manage the volume of electricity used including the variations between peak and average loads.

The review Oakley Greenwood in the draft report "Review of Wholesale Electricity Generation Market" has provided a preferred option for the Northern Territory Electricity Market (NTEM).

This approach is supported in principle; however, the following issues are raised for consideration in the detail design of the reforms:-

- The extent to which the current processes used within Power and Water Corporation (which are stated as being broadly consistent with the processes needed to implement the proposed energy trading arrangements) are required to be made "more rigorous" as this decision will significantly influence both cost and time in establishing the market;
- The wider economic impact of the NTEM model, particularly in relation to the timing for the introduction of competition;
- Analysis of the timeline for the transitional arrangements to the NTEM model considering the costs and risks;
- Supply security risks and financial incentives to manage the fuel risks, specially gas as the primary fuel used for the generation of electricity; and
- More detailed consideration of the opportunities for renewable energy to compete in the wholesale generation market as either a generator or gen-tailer.

Please do not hesitate to contact myself if you require further clarification on the above comments on the Draft Report for Consultation titled "Review of the Wholesale Electricity Generation Market".

Yours sincerely

A handwritten signature in blue ink, appearing to read "Scott Perkins", written over the printed name.

SCOTT PERKINS
Chief Executive

29 January 2014