

Utilities Commission
Northern Territory Government

Via email: utilities.commission@nt.gov.au

Dear Sir/Madam

RE: UTILITIES COMMISSION – NORTHERN TERRITORY ELECTRICITY LICENSING REVIEW

Thank you for the opportunity to provide input into the above-mentioned review and for the extension of time to lodge a submission. The Department of Territory Families, Housing and Communities (the Department) is pleased to provide a response on the Northern Territory's Electricity Licensing Regime Issues Paper.

The Department has the functional responsibility for the Indigenous Essential Services Program. As a multi-functional human services and community-focused agency, the Department provides comprehensive services covering a diverse range of portfolios, including: urban and remote housing; child protection; youth justice; family support services; domestic, family and sexual violence reduction; sport and recreation; heritage; arts; culture; disability services; multicultural interpreter and translation services; libraries and archives; multicultural affairs; seniors; youth and gender equity and diversity.

Indigenous Essential Services support a range of these services and functions. The Department's submission, including responses to the relevant consultation questions from the Review's Issues Paper, is attached for your consideration.

If you have any questions or require further information please contact Mr Lindsay Smith, Senior Director Infrastructure on 08 8999 3927 or by email at LindsayE.Smith@nt.gov.au.

Yours sincerely



Ken Davies PSM
Chief Executive Officer

20 June 2022

Utilities Commission – Northern Territory Electricity Licensing Review

Submission from the Department of Territory Families, Housing and Communities

The Department of Territory Families, Housing and Communities (TFHC) has the functional responsibility for the Indigenous Essential Services Program. As a multi-functional human services and community-focused agency, it provides comprehensive community related services covering a diverse range of portfolios, including urban and remote housing; child protection; youth justice; family support services; domestic, family and sexual violence reduction; sport and recreation; heritage; arts; culture; disability services; multicultural interpreter and translation services; libraries and archives; multicultural affairs; seniors; youth and gender equity and diversity. Indigenous Essential Services (IES) support a range of these services and functions.

All of these services rely on the provision of adequate provision of electricity services. Specifically the IES program provides electricity, sewerage and water services to around thirty eight thousand consumers in seventy two remote communities and seventy nine outstations across the Northern Territory. These services are provided predominantly to Aboriginal customers living in these communities.

The services are delivered through a service provider arrangement with Power and Water Corporations not for profit subsidiary, Indigenous Essential Services Pty Ltd. Power and Water Corporation currently holds the Network and Generation Licence for communities serviced under the Indigenous Essential Services Program.

In 2022-23, the Indigenous Essential Services program will total approximately \$124.5 million for annual operational services, with \$80.9 million provided through TFHC grant funding. The remaining \$43.6 million in funding is made up from revenue received from consumers, predominantly from electricity revenue.

Through the Department of Industry, Trade and Tourism, the Northern Territory Government is developing a strategy to deliver 70% renewable energy penetration to communities under the IES program.

While the existing licencing regime has worked well over time, having an appropriate licencing regime in place for future transition will be important. Currently, the main source of electricity in IES communities is diesel-fired generation, and it is anticipated that the above-mentioned strategy will see significant changes to the generation of energy delivered to remote communities. The strategy aims to reduce energy-related diesel consumption in these communities whilst improving energy security and reducing emissions.

For additional information or any queries please contact Mr Lindsay Smith, Senior Director Infrastructure on 8999 3927 or by email at LindsayE.Smith@nt.gov.au

TFHC Response to Issues Paper

Q1. Are there risks or other issues that arise as a result of the omission of certain conditions from licences for independent power producers? If so, what are they?

- Consideration will need to be made of how (independent power producers) IPP's can be involved in supporting the role out of the Remote Power System Strategy. The systems in remote communities are very small and the impacts of small producers into these systems could be significant.
- Many of the remote communities are run off isolated power stations and even domestic PV solar systems can have a significant impact on their stability. In the IES communities Power and Water Corporation treats these differently, and unlike new rooftop PV connections in Darwin or Alice Springs, pre-approval is required for new connections in remote communities. In many of the IES communities, allowable PV in networks is either limited or no longer available.
- Consideration needs to be given of how reliability to systems is maintained with Power and Water Corporation as currently the exclusive provider of generation and network services.
- There is also a range of community and Aboriginal organisation led proposals and investigations into community provided power options for remote communities (such as the Santa Teresa and Borroloola Microgrid investigations). The risks and benefits of incorporation of community led initiatives needs to be supported and considered.
- Consideration also needs to be made of behind the meter arrangements, benefits to consumers, stability and reliability of small networks.

Q2. Noting the long-standing nature of IPP arrangements, would the benefits outweigh the costs of imposing additional obligations on independent power producers through licence conditions?

- With a range of new community and industry led interests in providing power to remote communities, consideration needs to be made of licence conditions to ensure continued reliability into the smaller IES networks, whilst balancing the introduction of other participants.
- Requirements for obligations on IPP's should take into account the reliability to consumers and particularly the impact on Power and Water Corporation as the current principal provider.

Q3. Are there risks or negative impacts to customers in remote mining communities where there are legacy arrangements to provide electricity supply by private providers operating under special licences or exemptions? If so, what are they?

- The review should consider the changing nature of these arrangements, particularly for non-mining related activities. In addition to non-mining related consumers, there are a number of IES communities and other Aboriginal communities which are supplied electricity from these current providers through Power and Water Corporation and also directly through the power providers in these locations.

Q4. How effective is the licensing regime at controlling market power, facilitating competition and promoting investment?

- These current arrangements have served the remote communities well. There are now other parties interested in providing electricity services in remote communities.

Q5. How effective is licensing at managing risk including ensuring licensees have the necessary technical competence, financial strength and honesty to operate in the industry?

- For the IES communities the existing arrangements, the service delivery through IES Pty Ltd / Power and Water Corporation has been fit for purpose for delivery of electricity services.

Q6. If not effective, what else is needed to address the problem(s) you have identified?

- Alternatively, if current licence conditions are more than what is required to achieve these outcomes, the reasons for and the benefits of removing these requirements should be explored.
- Consideration needs to be given of other parties who are interested and have capability of providing services.

Q7. Do the benefits of the Commission's approach for the term of a licence appropriately balance any risks that may arise from no expiry date and costs associated with requiring regular renewal?

- For the IES communities the existing arrangements, the service delivery through IES Pty Ltd / Power and Water Corporation has been fit for purpose for delivery of electricity services.
- Consideration needs to be given of other parties who are interested and have capability of providing services.

Q8. through to Q12.

Q8. Are there barriers to entry or other issues with classifying energy storage systems as generation for potential participants? If so, what are they?

Q9. Are there any benefits to prescribing energy storage systems as a separate operation in the electricity supply industry requiring a licence (or exemption)? If so, what are they?

Q10. What are the key risks to electricity supply (if any) that need to be addressed through licensing (or exemptions) of energy storage systems?

Q11. Would any of the general or specific conditions for generation be not relevant or difficult to comply with by an operator of a standalone energy storage system? Why?

Q12. Beyond those already specified in legislation, are there any other conditions the Commission should consider including in a licence (or exemption) for an energy storage system? What risks do these address?

- There have been significant advancements and demonstration of technology in remote settings (such as the Solar SETuP program) which provide benefits to customers, and in remote communities reduces reliance on diesel with resultant environmental, risk and cost benefits. With the general limitation of energy storage and the nature of small networks in remote communities, the introduction of further storage in remote communities would be beneficial and consideration needs to be made to encourage uptake.

Q13. Are there barriers to entry or other issues the Territory's current licensing regime presents for new entrants offering alternative supply models?

- Currently a single provider, IES Pty Ltd / Power and Water Corporation provides services in remote IES communities. Other interested parties have shown interest in providing service and input from other providers should be sought.

Q14. What characteristics or activities of alternative supply models might mean a more 'light-handed' regulatory approach is needed? Why?

- Licencing needs to be sufficient to maintain customer protections and reliability, particularly in remote locations where it is challenging to provide these services, and response times to faults can be extended due to the need to fly in special personnel. This does need to be balanced with allowing new entrants to provide services and demonstrate capability.

Q15. What are the major risks (such as financial, security, quality or information) associated with alternative supply models that the Commission should take into account in its licensing decisions?

- The licencing requirements would need to be appropriate for its introduction in remote communities.

Q16. If the Commission were to grant an exemption to operate an alternative supply model, what type of conditions should apply (please relate this to major risks)?

- Nil.

Q17. through to Q19

Q17 What protections in terms of price, access, quality and continuity of supply are needed for users of commercial EV recharging services?

Q18 What are the major risks (such as financial, security, quality or information) associated with EV charging stations that the Commission should take into account in its licensing decisions?

Q19 If the Commission were to grant an exemption to an EV charging station, what type of conditions should apply (please relate this to major risks)?

- It would be appropriate to assess the introduction of (Electric Vehicle) EV services in major centres and then adopting a suitable approach for remote communities if and where EV take up occurs.

Q20. Are the principles listed above appropriate for determining whether an exemption is an appropriate outcome (rather than a licence)?

- These appear reasonable.

Q21. What other factors could guide the Commission's considerations?

- Nil

Q22 through to Q27

Q22. Is there a scale (for example, size of customer or operation) for an electricity supply activity, where an exemption may be appropriate? Please explain your answer including whether scale is dependent on the type of activity.

Q23. If the 2 MW threshold of the SSRE operations exemption were lowered, what would be an appropriate revised threshold?

Q24. What would be the costs and benefits of such a change?

Q25. What benefits and costs would there be to establishing a SSRE operations register in the Territory to provide better visibility of the extent, location and nature of these systems?

Q26. What existing processes and information could be used to populate a register?

Q27. What risks to consumers (if any) would licensing of third-party ownership arrangements for SSRE operations need to address in addition to generic protections and voluntary codes of conduct? Where possible, please provide examples or evidence of specific risks and their consequences.

- It would be beneficial to encourage Small Scale Renewable Energy (SSRE) systems in remote IES communities, however this needs to consider the small scale size of these networks and reliability of supply to consumers.
- A register of providers in remote locations would be beneficial.