

Electricity Licensing Regime Review: Issues Paper Considerations for Jacana Energy

Question as set out in Issues Paper		Jacana Energy's response
Independent power producers		
1.	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?	<ul style="list-style-type: none"> • There are only 2 circumstances where IPPs should be permitted: <ul style="list-style-type: none"> ○ where they existed prior to the commencement of the Electricity Reform Act; and ○ where power is required in a remote area and an IPP is the only option (i.e. connection to the PWC network is not possible or financially feasible). <p>It therefore makes sense for there to be limited conditions that are tailored to each individual IPP that form the subject of an IPP licence.</p> <ul style="list-style-type: none"> • However, where there is an IPP and Jacana Energy is required to contract with the IPP for the sale of electricity, additional conditions should be included in the IPP licence to ensure that Jacana Energy receives adequate protections (for example, requiring a coordination agreement to be entered into). • In addition, Jacana Energy notes that the Commission could have regard to the licence conditions imposed on IPPs operating in other jurisdictions (noting that other jurisdictions do not refer to 'Independent Power Producers'). In particular, there have recently been new rules introduced into the National Electricity Rules relating to remote energy operations.
2.	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?	<ul style="list-style-type: none"> • Assessing whether the benefits outweigh the costs of imposing additional licence obligations on IPPs is dependent upon what the conditions are and what the relevant scenario is for a particular IPP. • The costs and benefits cannot be balanced where the details of the additional obligations and the particular IPP arrangements are not known. • Where imposing additional obligations on IPP licences impacts Jacana Energy, it should be ensured that Jacana Energy receives adequate protections in these cases.
Standalone power systems – mining communities		
3.	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?	<ul style="list-style-type: none"> • To the extent that Jacana Energy is needed as retailer of electricity for standalone power systems, there needs to be specific arrangements in place so that Jacana Energy's ability to sell to customers isn't impacted in a manner that could negatively impact customers. • Further, there is a risk to Jacana Energy, as Jacana Energy has obligations under its licence to customers and Jacana Energy is the interface point with customers and has to manage any issues that arise. Consequently there are cost impacts for Jacana Energy managing and paying for the resolution of such issues.

	Question as set out in Issues Paper	Jacana Energy's response
Objectives that licensing aims to address		
4.	How effective is the licensing regime at controlling market power, facilitating competition and promoting investment?	<ul style="list-style-type: none"> • The licensing regime should not be used to control market power, facilitate competition and promoting investment. • The most important thing to enable a licensing regime to have positive impacts on those issues listed above, is to ensure that the licensing regime is clear, understood and consistently applied. • The licensing regime for retailers needs to comprise of a set of objective criteria that is consistently applied across the board. In particular, new entrants to the retail market should have the same licence obligations as Jacana Energy (i.e. new entrants should not be granted retailer licences with fewer obligations as an incentive to obtain / hold a licence). Having all licenced retailers subject to the same conditions and obligations ensures that customers are receiving consistent protections and that all retailers are subject to the same financial and technical expectations. • In particular, provision of credit support is something that should be treated equally across all licensees. Whilst it may be a barrier to entry into the retail market in the Territory, Jacana Energy is of the view that it is a necessary barrier to entry. Noting that the level of credit support required to be provided by a retailer has an impact on the prudential requirements that apply to that retailer. • Jacana Energy wishes to note that it supports the continuation of Territory Generation's restriction on retail supply set out in the <i>Power Generation Corporation Act 2014</i> (NT) as this restriction facilitates competition.
5.	How effective is licensing at managing risk including ensuring licensees have the necessary technical competence, financial strength and honesty to operate in the industry?	<ul style="list-style-type: none"> • Licensing is not currently an effective way to manage all of these risks. • Whilst licensees are subject to frequent audits, which help manage the technical competency risks, they do not help in ensuring that licensees have the necessary financial strength and honesty to operate in the industry. • A licensee's financial strength is only assessed at the licence application stage and is not something that is continuously monitored. The licensing regime would be better at managing the financial viability of licensees if it was regularly assessed (i.e. periodic reviews / competency assessments). This is something that can be managed by the prudential requirements applying to a retailer, however regular monitoring and assessment of the financial viability of licensees would be preferable. • As the retailer of last resort, the financial viability of new retailers is something that significantly impacts Jacana Energy and should be consistently and continuously monitored.
6.	If not effective, what else is needed to address the problem(s) you have identified?	<ul style="list-style-type: none"> • There are no current licence conditions or requirements that could or should be removed when considering how licence conditions can help ensure licensees have the necessary technical competence, financial strength and honesty to operate in the industry. • However, there are a number of licence conditions included in the Electricity Reform Act that apply to electricity being sold to non-contestable customers. As you are aware, all customer in the Territory became

	Question as set out in Issues Paper	Jacana Energy's response
	Alternatively, if current licence conditions are more than what is needed to achieve these outcomes, what requirements could be removed and why?	<p>contestable customers as of 1 April 2010 and consequently there are no non-contestable customers. The references to non-contestable customers in the Electricity Reform Act are therefore unnecessary and it would be better to be removed.</p> <ul style="list-style-type: none"> When considering the appropriateness of the current licence conditions, the AER's Retailer Authorisation Guideline would be a good starting point as it is applied consistently across a number of jurisdictions in the National Electricity Market (NEM).
Licence duration		
7.	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?	<ul style="list-style-type: none"> Yes, having fixed term licences will increase the costs associated with the licensing regime but will not assist in fixing any competency issues. Instead, the Commission could impose a periodic review of conditions applying to a licence, which would also involve considering the licensee's compliance with its conditions as monitored through the audit requirement (i.e. if a licensee is consistently not complying with particular conditions, additional requirements / obligations could be imposed on that licensee).
Energy storage systems		
8.	Are there barriers to entry or other issues with classifying energy storage systems as generation for potential participants? If so, what are they?	<ul style="list-style-type: none"> A barrier to entry for energy storage systems is the current lack of clarity on how the regulatory framework would apply to such systems. There is currently a lack of clarity regarding the aggregation of roof top solar which should be addressed. For example, Jacana Energy would like to consider operating a Virtual Power Plant in the future, however it is not clear whether or not the roof top solar would be aggregated so that the exemption from holding a generation licence would not apply (for example, if the roof top solar for the Virtual Power Plant consisted of 2.2MW of solar panels, would Jacana Energy require a generator licence). There is a significant amount of roof top solar in the Territory and it's unclear as to when such generation would be classified as a 'generator' If there is a potential for batteries to buy power from a market in the future (as opposed to only being able to buy from a retailer which is currently the case), then classifying 'energy storage systems' as generators only, could cause issues in the future. However, this is not necessarily a licensing issue and may be more of a classification / registration issue that should be addressed if and when there is a market introduced into the Territory.
9.	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?	<ul style="list-style-type: none"> Yes, there are benefits to prescribing energy storage systems as a separate operation in the electricity supply industry requiring a licence or an exemption. The key benefits are that it allows the Commission to: <ul style="list-style-type: none"> be more specific in how energy storage systems are regulated as they are different from other forms of generation, and tailor the licences to particular energy storage systems based on their intended operation. Batteries and their future operation and reliability is particularly important in the Territory for network support and this could be captured by way of licence conditions (either directly or by requiring compliance with a

	Question as set out in Issues Paper	Jacana Energy's response
		<p>code or guideline that sets out the specifics). The real benefit of batteries in the Territory is their flexibility and how they can be used to lower costs and provide system strength.</p> <ul style="list-style-type: none"> • However, regulating energy storage systems only as 'generators' of electricity does have issues, as the conditions applying to an energy storage system will differ depending on whether it is generating or selling/supplying electricity. Consideration should be given to whether two separate licences are appropriate, or whether specific licences for energy storage systems can adequately deal with these two activities (noting that there needs to be a balance between having adequate regulation and not over-regulating). • It is important to note that, the recent 'Integrating energy storage systems into the NEM' rule change in the National Electricity Market created a separate category for energy storage systems. Also, there as an assumption early on in the NEM, that small generators wouldn't cause any significant impacts in the NEM but it has become very clear that is definitely not the case.
10.	<p>What are the key risks to electricity supply (if any) that need to be addressed through licensing (or exemptions) of energy storage systems?</p>	<ul style="list-style-type: none"> • It is hard to assess the key risks that energy storage systems may have on electricity supply because they are an emerging and developing technology. • As the use of energy storage systems is still emerging and developing, having a specific licence for energy storage systems would give the Commission the ability to deal with, and address, issues and risks as they arise and become apparent. • One known risk, is not having adequate obligations relating to frequency control services. However, these obligations are better included in a code issued by the Commission (that the licensee is obliged to comply with) as opposed to being included as a licence condition.
11.	<p>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?</p>	<ul style="list-style-type: none"> • All of the general and specific conditions for generation would be relevant to stand alone energy storage systems (some more than others).
12.	<p>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?</p> <p>What risks do these address?</p>	<ul style="list-style-type: none"> • As batteries can discharge very quickly, discharging at the wrong time can cause network issues. The extent of the potential issues depends on the size of the battery and how visible the battery is to the network. There should be some controls in place to manage this issue, however, this is probably better dealt with in a code issued by the Commission (that the licensee is obliged to comply with) as opposed to being included as a licence condition.
Alternative supply models		
13.	<p>Are there barriers to entry or other issues the Territory's current licensing regime presents for new entrants offering alternative supply models?</p>	<ul style="list-style-type: none"> • Yes, there are barriers to entry for new entrants offering alternative supply models. • The main barrier is the uncertainty of where an alternative supply model will fit in the licensing / exemption regime. There is a lack of clarity around which activities require particular licences and/or exemptions and

	Question as set out in Issues Paper	Jacana Energy's response
		<p>this impacts potential new entrant's willingness to seek a licence/exemption. A policy or framework about when an exemption may be required would provide some guidance.</p> <ul style="list-style-type: none"> • In the National Electricity Market, there are provisions that recognise that there are private networks and retailers behind the meters and in these specified and identified circumstances there are limited conditions that apply to people undertaking these activities. It is not appropriate for these activities to be subject to the full obligations of a distributor or a retailer, however regulation and visibility of these activities is still required.
14.	<p>What characteristics or activities of alternative supply models might mean a more 'light-handed' regulatory approach is needed? Why?</p>	<ul style="list-style-type: none"> • Activities that clearly have a lesser impact on the network and customers than traditional supply, generation and sale activities, should have a more 'light-handed' regulatory approach. • The National Energy Customer Framework (NECF) sets out an exemption framework where one of the key purposes of that framework is to ensure that small customers are still protected, even where their electricity is being supplied and/or sold by an alternative supply model. • The NECF exemptions are a good starting point for the Commission as they have evolved and developed over the past 10 years as the different technologies have evolved and developed (note that this framework is currently under review, in the NEM, however it would still be a good starting point for the Commission to have regard to). • From the experience in NECF jurisdictions, it appears that the licence conditions relate to high level principles and issues and link in with more detailed instruments (e.g. codes and guidelines) that set out the overarching compliance regime and the specific obligations that relate to particular activities. This facilitates the emerging and developing nature of alternative supply models.
15.	<p>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?</p>	<ul style="list-style-type: none"> • There is a risk to Jacana Energy as the incumbent retailer as Jacana Energy is likely to be the point of contact for these issues. This can lead to quality and provision of information issues. There needs to be either a recognition that Jacana Energy is the primary source of information, or a recognition of the costs associated with information being passed through Jacana Energy. • There are financial risks associated with alternative supply models and the Commission should take into consideration the impact that the financial capability of an entity will have on consumers. There needs to be clear parameters around financial expectations of these alternative supply models (particularly if they are intended to be long term arrangements) as well as the pricing models and their impacts on customers. • There are significant technical risks associated with alternative supply models, mainly due to their developing nature. It is important to note that there was a view in relation to the National Electricity Market that small generation units would not cause an impact on the system, it has become quite clear that this is not the case.
16.	<p>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)?</p>	<ul style="list-style-type: none"> • The type of conditions that should apply will depend upon: <ul style="list-style-type: none"> ○ what the alternative supply model is ○ the characteristics of that model, and ○ the type of customers that are being serviced by the alternative supply mode (i.e. residential vs commercial). • As mentioned above, the NECF is a good base for the Commission to consider.

Question as set out in Issues Paper	Jacana Energy's response
Electric vehicle recharging	
<p>17. What protections in terms of price, access, quality and continuity of supply are needed for users of commercial EV recharging services?</p>	<ul style="list-style-type: none"> • The price protections will depend upon on what basis the charges for the EV recharging services are being calculated. The electricity industry is used to looking at pricing of electricity generally having two components: <ul style="list-style-type: none"> ○ a retail component, which is based on electricity usage multiplied by a particular retail charge, and ○ a network component, which passed through to the customer from the distributor via a retailer (and sometimes and on-seller). <p>However, it is likely that the pricing for commercial EV recharging services will not follow this traditional pricing approach.</p> <p>The price regulation will need to take into consideration the ownership of the EV recharging stations, particularly in relation to the pass through of network charges where the EV recharging station is owned by a party other than the owner / occupier of the premises on which they are located.</p> <ul style="list-style-type: none"> • It is not clear what access protections will be needed in relation to users of commercial EV recharging services. There could be access issues in terms of location of EV recharging stations, in which case these are not really a licensing issues and is more an issue for the government. • There needs to be clarity about the expectation of supply that are needed for EV charging stations in order to consider what protections should be in place. Query whether the EV charging stations would have the same expectations as to access to electricity supply, the same as a property tenant in a commercial building would expect access to electricity. Also query whether there are likely to be issues around EVs being used to provide essential services and whether there should be an obligation on EV charging stations in providing electricity in these circumstances. • There is also a cross over in relation to this issue with embedded networks, as there are potential restrictions on competition and issues in relation to purchasing electricity to charge an EV from a landlord. The protections in relation to the quality of electricity would be the same as any other electricity user.
<p>18. 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?</p>	<ul style="list-style-type: none"> • An EV charging station would not be dissimilar to any other customers, however the risks associated with EV charging stations may differ if the owner / operator of the EV charging station is buying electricity directly from a retailer and if the owner / operator of the EV charging station is a different entity to the over / operator of the premises that the EV charging stations are located. • Jacana Energy also recognises that there will be additional issues to take into consideration where EV charging stations form part of an embedded network.
<p>19. 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)?</p>	<ul style="list-style-type: none"> • The conditions that would need to apply would depend on the circumstances relating to a particular EV charging station. • The exemption conditions would differ depending on the following variables: <ul style="list-style-type: none"> ○ ownership of the EV charging station ○ basis for charging customers for use of EV charging station (if charging at all) ○ location of EV charging station, and

	Question as set out in Issues Paper	Jacana Energy's response
		<ul style="list-style-type: none"> ○ who the electricity for the EV charging station is being purchased from (i.e. a retailer directly or a landlord).
Guiding principles for assessing exemptions		
20.	Are the principles listed above appropriate for determining whether an exemption is an appropriate outcome (rather than a licence)?	<ul style="list-style-type: none"> • Query whether the following principles should instead be conditions associated with exemptions rather than principles in assessing appropriateness of exemption: <ul style="list-style-type: none"> ○ market conditions will ensure customers are supplied on fair and reasonable terms and at a fair price, and ○ if costs of regulation would outweigh the benefit of regulation. • In relation to the last principle in the list ('a risk-based approach will be applied to determining conditions for an exemption (a standard set of conditions for all exemptions would not be sufficiently adaptable or flexible)', there should be standard 'base' conditions (e.g. pricing, provision of information, dispute resolution) or at the very least standard topics of conditions. • An additional principle that should be taken into consideration is that customers still have access to a choice of retailer (where this is technically possible).
21.	What other factors could guide the Commission's considerations?	<ul style="list-style-type: none"> • There needs to be visibility of licence exemptions. The Commission cannot actively monitor compliance with exemption conditions or reassess the appropriateness of an exemption without having visibility over who is operating under such exemptions. • At a minimum there should be an exemption registration process (if an application process is not appropriate or financially viable) and there should be very limited 'deemed' exemptions (if any).
22.	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.	<ul style="list-style-type: none"> • Any scale is just an arbitrary line in the sand and lines have unsuccessfully been drawn in the past. • Instead, the particular activity and the customers impacted by the activity is what should be considered. • For example, a customer of a person who is selling electricity to less than 10 customers in Darwin shouldn't necessarily receive less benefits that customer of a person who is selling electricity to more than 1,000 customers in Darwin. <p>However, a customer of a person who is selling electricity to more than 100 customers in a remote area where there is limited electricity supply may practically not be awarded the same benefits as customers of a person who is selling electricity to less than 10 customers in Darwin.</p>
Small Scale Renewable Energy (SSRE) threshold		
23.	If the 2 MW threshold of the SSRE operations exemption were lowered, what would be an appropriate revised threshold?	<ul style="list-style-type: none"> • Jacana Energy's preference is that the 2MW threshold of the SSRE operations exemption should not be lowered. Lowering the threshold will have significant additional cost impacts for not much benefit.
24.	What would be the costs and benefits of such a change?	<ul style="list-style-type: none"> • As noted above, reducing the 2MW threshold would result in increased costs and administration without much benefit. 2MW is a very low threshold as it is.

	Question as set out in Issues Paper	Jacana Energy's response
Visibility of SSRE operations		
25.	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?	<ul style="list-style-type: none"> • There would be significant benefits in establishing a SSRE operations register from a network security, stability and safety perspective. • Jacana Energy's view is that registration of SSRE operations would be the most pragmatic way to provide better visibility. • In addition, a register of curtailed load would also add significant value to the system over all. • A SSRE operations register would be extremely valuable.
26.	What existing processes and information could be used to populate a register?	<ul style="list-style-type: none"> • In Jacana Energy's view, PWC would be best placed to populate a register as they are provided with all the relevant details through the connection process. • Under the NER, the distributor is responsible for populating the register of SSRE operations.
Third-party ownership of SSRE operations		
27.	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.	<ul style="list-style-type: none"> • Licences are not the appropriate way to deal with these issues, however the licence could impose obligations with other instruments (including a code of conduct). • Voluntary codes of conduct are not an appropriate way to manage these issues.