

6 June 2025

Mr Lyndon Rowe  
Utilities Commissioner  
Utilities Commission of the Northern Territory  
Level 3, 22 Mitchell Street  
Darwin 0800

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

Dear Commissioner

**Re: Draft Decision - revenue and charges (May 2025) - 2024-27 Review of system control and market operator charges**

We appreciate the opportunity to respond to the Commission's Draft Decision on NTESMO's revenue and charges for the 2024–27 regulatory period dated May 2025.

We fully acknowledge the complex environment in which this review is occurring and the significant uncertainty that exists in forward system investment plans. Based on NTESMO's revised submission and the Commission's Draft Decision, we are concerned that several key proposals endorsed in the Draft Decision lack sufficient transparency, do not demonstrate alignment with electricity system needs, and may lead to inefficient cost outcomes.

We are disappointed that the process, as it has evolved in this instance, has not enabled more meaningful engagement or challenge by NTESMO's customers and stakeholders and that the Utilities Commission has been placed under significant time pressure to resolve the determination. Jacana Energy and others are now in a position of having to respond to the Draft Decision with significant gaps remaining in the information provided behind various decisions and proposed investments.

The market operator and system controller exists to serve market participants and consumers, by delivering a stable and efficient system at least cost. The scope, scale, and rationale for major investments, whether capital or operational, should be available for public scrutiny and grounded in the needs of the system.

NTESMO positions itself as a service provider to its customers - namely market participants in this jurisdiction. However, much of what is proposed in terms of the scope of service, delivery approach, and associated costs sits behind a wall of commercial-in-confidence and therefore resulting in limited transparency and effective consultation. We believe that commercial-in-confidence is overused in this jurisdiction as a reason not to be more open and transparent in decision making. While we acknowledge that certain details—such as vendor pricing—may legitimately remain confidential, this does not preclude NTESMO from sharing appropriately redacted business cases or summary justifications for major investments in technology and operational functions.

We raise four key concerns from the Draft Decision (noting the Utilities Commission's various requirements for more information to be provided by NTESMO) : justification of capital expenditure on dispatch engines, cost escalation on operating and personnel expenditure, allocation of corporate overhead and cost recovery and customer impact.

### **1. Capital Expenditure on Dispatch Engines – Lack of Transparency and System Alignment**

We note with concern the continued absence of meaningful, publicly available justification for the \$41.5 million capital expenditure on the Dispatch Engines. The Territory Dispatch Engine (TDE), which represents approximately 67.3% of NTESMO's total capital program, has been referenced in relation to a Board-approved business case; however, there has been no disclosure of that business case's contents—such as current and projected system requirements, the project scope, anticipated benefits, or the alternative solutions considered. This major investment is only briefly described in NTESMO's regulatory proposal, with the business case and other key supporting materials provided by the Commission as appendices but not made available to stakeholders.

Given that the TDE constitutes such a substantial portion of the capital program, we believe the lack of transparency and opportunity for market participant scrutiny is inconsistent with the level of oversight typically expected for capital expenditure of this scale and significance to the future operation of the Northern Territory's electricity system. We consider that such investments should only proceed where they demonstrably deliver measurable, system-wide benefits aligned with foreseeable system needs—not merely to replicate approaches adopted in other jurisdictions.

We would fully expect that the Darwin-Katherine, Alice Springs and Tennant Creek electricity systems will transition over the next five years to much higher solar penetration enabled by the implementation of a significant level of stability services being provided by grid forming inverters coupled with high-specification batteries. The operation of such a system in real time will be driven by embedded decision engines within the system elements autonomously responding to the physics alive in the system, with an overarching orchestration engine. Such system design is premised on up-rating the "suspension" in the system (provided by fast response devices operating autonomously and automatically based on logic programming) so that the system will ride the bumps produced by high levels of variable solar power production into the system. The forecasting requirement then largely becomes day and week ahead based on expected available generation units and production to ensure sufficient capacity is available and to initiate demand side responses to avoid unmet load and also low load events.

Without further details about the intended design of the Territory's electricity systems—which should inform the scope, complexity, and cost of the dispatch engines— it is a legitimate concern whether a conventional dispatch architecture, with a seemingly heavy focus on system forecasting as per NTESMO's proposal and the "dispatch" of generation and essential system services by a control room dispatch engine, remains fit for purpose. The decision to proceed with this platform, and to commit such substantial expenditure, in advance of finalising the future system architecture is, in our view, not sufficiently aligned with prudent planning practice and system evolution priorities.

We believe the regulatory framework should, at a minimum, require NTESMO to provide a transparent and public demonstration of the proportionality, purpose, and system alignment of any major capital program before it is approved for cost recovery. This includes disclosing how the investment aligns with foreseeable system needs and evaluating alternative solutions. Without such transparency, it becomes difficult to maintain confidence in the integrity, efficiency, and accountability of system planning processes.

## **2. Operating and Personnel Expenditure – Step Function Without Functional Justification**

The proposed near-doubling of NTESMO's operational and personnel costs compared to the previous regulatory period—during the same period as a significant capital outlay—raises serious questions about efficiency and planning.

The approach to operating expenditure forecasting has relied on a 'base-step-trend' model, which is reasonable in principle, but in this case has no underlying functional mapping to explain what the step change represents. Personnel numbers have increased significantly, but there is no clear line of sight to how these roles correspond to emerging system needs, market reforms, or the services NTESMO will be delivering in the future.

The very stark disparity highlighted in the draft decision between the per NMI cost of similar functions in the Wholesale Energy Market (WEM) and those proposed here in the Northern Territory is essentially dismissed as simply being a function of scale.

The lack of transparency is compounded by simultaneous significant capital investments in automation tools - such as the building out of TDE, introduction of MSATS, and advanced metering infrastructure. Typically, capital investment in automation tools would reduce manual workload, thus reducing the personnel expenditure and therefore the operating expenditure. Yet, in this instance, we observe the opposite: near doubling of personnel expenditure, with no associated productivity benefits explained.

We are not questioning the need for skilled staff. We seek to clarify whether the scale and profile of the proposed increase is necessary or aligned to the regulatory functions of NTESMO.

## **3. Corporate Overheads – Insufficient Scrutiny of Allocations**

The Commission accepted NTESMO's \$13.1 million corporate overhead allocation for 2024-27, despite acknowledging limited supporting information and the absence of further justification following its request in September 2024. These overheads represent a substantial portion—approximately 20% of NTESMO's total operating expenditure, yet are allocated using fixed ratios that are not clearly linked to actual service delivery or functional activity.

While Cambridge Economic Policy Associates (CEPA) assessed the allocation methodology as broadly reasonable, they also identified a lack of transparency in how these costs were derived and attributed. This is particularly concerning given the internal nature of the allocations from Power and Water Corporation. Customers should only be required to fund costs directly tied to NTESMO's regulated functions. However, these overheads are bundled through fixed internal transfers, with no visibility into whether they relate to system control, market operations, or other unregulated activities. The Commission's acceptance of these allocations—despite the absence of further justification and in the face of acknowledged transparency gaps—is difficult to reconcile with the rigorous scrutiny applied to capital expenditure.

We remain concerned that the approval of such a material line item has been granted without sufficient scrutiny and remains opaque in both content and basis of allocation. In our view, all major cost components - especially those involving internal transfers—should be clearly documented, transparently attributed, and demonstrably aligned with NTESMO's regulatory functions before being approved for cost recovery.

## **4. Cost Recovery and Customer Impact – An Unsustainable Approach to Affordability**

We are concerned by what appears to a mindset across the jurisdiction that increased costs - whilst undesirable - are acceptable, either because they are covered by the Community Service Obligation (CSO) or recovered from Commercial and Industrial (C&I) customers, who are less than 1% of customer base.

The logic that system costs are acceptable simply because the Northern Territory Government will cover the cost through increased CSO and therefore the customers are protected from the cost increase is not sustainable, particularly given Northern Territory Government's ongoing fiscal challenges.

Similarly, accepting cost increases on the basis that they can be recovered from the Territory's small base of C&I customers ignores the real economic burden carried by these entities. Jacana Energy's C&I customers alone account for more than 20% of total system cost recovery. These are not abstract costs—they are directly passed through to the energy bills of major employers, infrastructure operators, and service providers. This approach is not only economically short-sighted, but risks undermining long-term affordability and confidence in the regulatory framework.

### **Conclusion**

We appreciate the Commission's efforts and understand the constraints under which this review has been conducted. Our feedback is grounded in Jacana Energy's overarching focus to encourage and contribute to good planning practice and energy affordability.

We would welcome the opportunity to discuss these matters further and remain available to assist in developing improved regulatory and planning processes for future reviews.

Yours sincerely

Rod Hayes  
**Chief Executive Officer**