

Territory Electricity Market: Tranche 1 Exposure Drafts

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Acronyms	Full form
NT	Northern Territory
NTESMO	Northern Territory Electricity System and Market Operator
PPM	Public Procurement Model
RESIP	Regulated Electricity System and Investment Plan
TEM	Territory Electricity Market
PAIR Panel	Planning and Investment Review Panel

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1. Introduction

1.1. The Territory Electricity Market reform

The NT Government's objective for the electricity sector is to provide stable, secure and reliable electricity to Territorians at the lowest sustainable cost. This requires efficient investment in and operation and use of electricity assets and infrastructure.

The Territory Electricity Market (**TEM**) reform was approved by the NT Government in July 2025. The authorising environment for the TEM Reform was provided through the *Electricity Legislation (Market Reform) Amendment Act 2025 (Amendment Act)* which amends the *Electricity Reform Act 2005 (Electricity Reform Act)*, and a new *Electricity System and Market Operator Act 2025 (NTESMO Act)* that passed the NT Legislative Assembly in October 2025.

The TEM reform will create a centralised approach within each regulated electricity system to determine and procure the optimal combination of electricity generation and storage assets and network infrastructure at the lowest sustainable cost while ensuring system security and reliability requirements are satisfied.

Key characteristics of the TEM reform program are:

- implementation of the 'public procurement model' (**PPM**) in the Darwin-Katherine Electricity System (**DKES**), where a central buyer will procure all electricity services for the system;
- establishment of Territory Generation as the sole supplier of wholesale electricity services to the Alice Springs and Tennant Creek regulated electricity systems;
- separation of system control and market operator functions from Power and Water Corporation into an independent Northern Territory Electricity System and Market Operator (**NTESMO**), with responsibility for system planning in each of the regulated electricity systems; and
- changes to supporting governance arrangements, including establishing the rules for the operation of the system and market (**TEM Rules**), and designating the Minister for Energy as the authorised rule-making entity to provide coordinated policy development for the sector.

1.2. Purpose of this paper

This paper provides supporting explanations of the attached Tranche 1 Exposure Drafts that include draft regulations for Stage 1 of the Amendment Act and TEM Rules Governance Chapter Part A. The draft regulations and rules have been drafted in line with the regulations plan and governance of the TEM Rules as presented at the 16 February 2026 Industry Reference Group.¹

¹ Consultation materials are available at: <https://dme.nt.gov.au/renewables-energy-systems/reform-territory-electricity-market>

2. Tranche 1 Exposure Drafts

The Tranche 1 Exposure Drafts includes:

- Regulations made under the Electricity Reform Act (ER Act); and
- Territory Electricity Market Rules (TEM Rules).

Regulations to support the TEM reforms will be made in stages to align with the staged commencement of the Amendment Act.

Instrument	Action	Content
Electricity Reform (Administration) Regulations	Amend Regulations	Draft amendments align the Administration Regulations with Stage 1 of the Amendment Market Reform Act, including aligning existing administrative and governance processes with the TEM Rules.
System Control and Market Operator Functions Code Regulations	Repeal Regulations	Draft amendments repeal these regulations as they have never been used and will not have a role under the TEM reforms.
Electricity Reform (TEM Governance) Regulations	New Regulations	Draft regulations support Stage 1 of the Amendment Act that authorises the making of the TEM Rules by the Minister for Energy: • identify the Darwin-Katherine, Alice Springs and Tennant Creek power systems as the regulated electricity systems that will be subject to the TEM reforms • set out the TEM Rules Objective that will guide the development and application of the TEM Rules; and • prescribe consultation processes that must be undertaken before making or amending the TEM Rules, including the making of the initial rules, the ordinary consultation process, and the expedited consultation process.

2.1. TEM Rules Governance Chapter – Part A

The TEM Rules will contain several chapters outlining the full operation of the TEM and the roles and obligations of market participants. The Governance Chapter of the TEM Rules is one of these chapters and Part A sets out the processes for making and amending TEM Procedures under the TEM Rules. Additional rules will be added to this chapter outlining various other administrative matters.

Instrument	Action	Content
TEM Rules	New TEM Rules Governance Chapter	Part A of the governance chapter of the TEM Rules sets out the process for making and amending TEM Procedures that are made under the TEM Rules, requiring one round of public consultation for a minimum of 20 business days.

3. Administration Regulations

Amendments align the Electricity Reform (Administration) Regulations made under the ER Act with Stage 1 of the Amendment Act, including aligning existing administrative and governance processes with the TEM Rules.

4. Repealing System Control and Market Operator Functions Codes Regulations

The System Control and Market Operator Functions Code Regulations will repealed as they have never been used and will not have a role under the TEM reforms.

5. TEM Governance Regulations

The TEM Governance Regulations are new regulations that will be made under the *Electricity Reform Act 2000* and contain matters relating to the governance of the Territory Electricity Market. As set out below.

Robust governance for the TEM will build confidence in the Territory Electricity Market for both existing and prospective participants by providing predictability in decision-making and change processes.

5.1. Regulated Electricity Systems

The TEM Reform will only apply to regulated electricity systems that are prescribed by regulation under the ER Act. This includes being subject to the control of NTESMO and the central planning and procurement processes.

The TEM Governance Regulations will identify regulated electricity systems as the:

- Darwin-Katherine power system,
- Tennant Creek power system; and
- Alice Springs power system.

5.2. TEM Rules Objective

The scope and powers of the TEM Rules will be set out in the ER Act and are to be made by the Minister for Energy. The TEM Rules will have the force of law and will apply to all entities with functions within its scope, including system control, market operation, participation, access, and coordinated planning and procurement.

The TEM Rules Objective will guide the development and application of the TEM Rules and provide further targeted guidance as to how the TEM Rules will be made and amended. When a change to the TEM Rules is considered, it will be assessed against whether it advances the TEM Rules Objective.

The wording of the TEM Rules Objective proposed as part of the stakeholder consultation has also been revised following stakeholder feedback. The initial objective only required consideration of the 'wholesale price of electricity', however, this was considered too narrow as the TEM Rules may have broader impacts on price. The objective has been broadened to require consideration of 'the price of electricity'.

Revised TEM Rules Objective

The objective of the TEM Rules is to promote efficient investment in, and the efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to:

- (a) the quality, safety, security and reliability of supply of electricity; and
- (b) the price of electricity.

The TEM Rules Objective was initially proposed to sit within the TEM Rules but following stakeholder feedback has been relocated to the TEM Governance Regulations, with is a superior legislative instrument. This allows stronger governance for the TEM Rules Objective ensuring that it cannot be changed by a rule change process, rather will be subject to the stronger government regulation making processes. This is more consistent with the approach taken in the Western Australian's Wholesale Electricity Market and the National Electricity Market.

5.3. TEM Rules change processes

Changing the TEM Rules will be subject to minimum prescribed consultation processes that encourage stakeholder participation and feedback. Prescribed change processes seek to balance providing certainty to stakeholders with the flexibility to consider the cost and practicality of undertaking change processes.

The ER Act provides for regulations to set out how the TEM Rules can be made and amended, including consultation requirements. Under the ER Act, the Minister for Energy is the authorised rule making entity that is responsible for making and maintaining the TEM Rules, including administering prescribed consultation processes.

5.3.1. Initial version of the TEM Rules

The making of the initial version of the TEM Rules will be subject to 2 rounds of consultation. The first consultation will be on the proposed policy position and the second on the exposure draft of the rules under consideration.

This provides for more flexibility than an ordinary rule change process, acknowledging that making the initial version of the TEM Rules will require greater flexibility in comparison to the more discrete changes to the rules that will occur over time.

5.3.2. Rule Change Requests

Any person will be permitted to submit a rule change request as long the request adheres to the minimum requirements, including that the request is in the approved form, addresses how the change would contribute to the TEM Rules Objective, and the expected costs and benefits of the change.

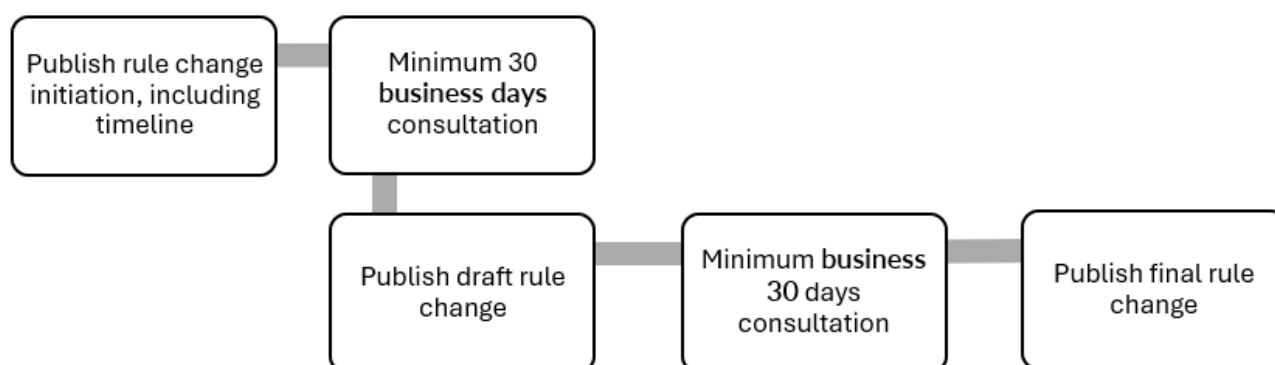
The Minister as the authorised rule making entity will consider the change request against the prescribed considerations, including whether the request is lacking in substance and the practicability and cost of considering and implementing the change.

5.3.3. Changing the TEM Rules

Once the initial version of the TEM Rules is complete, the ordinary consultation process must be followed before the TEM Rules can be changed.

The ordinary consultation process will consist of 2 rounds of consultation that allow a minimum of 30 business days for stakeholders to submit feedback. The first consultation is on the rule change initiation report that sets out the proposed change, its anticipated impacts, and the consultation timeline. The second consultation is on the draft rule change report that includes consideration of stakeholder submissions, justification for amending (or not amending) the TEM Rules, and a draft of a proposed change.

A final rule change report is then published that includes justification for amending (or not amending) the TEM Rules, the final rule, and commencement and transitional provisions.

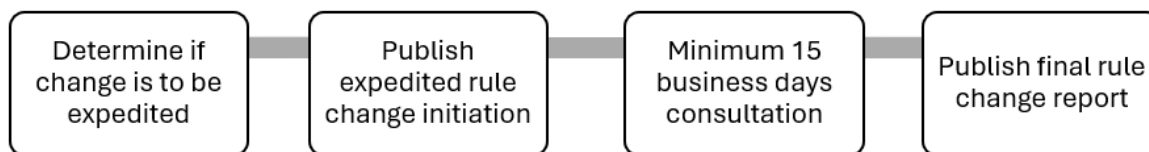


5.3.4. Expedited Consultation

Rule change processes may be expedited and consultation processes modified when rule changes are determined to be:

- Required to fix urgent risks to an electricity system or market;
- Minor changes that are unlikely to have significant impact; or
- Fixing errors.

The minimum consultation requirements for an expedited rule change includes 1 round of consultation on the rule change initiation report that allows a minimum of 15 business days for stakeholders to provide feedback. A final rule change report is also required, the same as for an ordinary rule change. An expedited consultation process must revert to the ordinary process if it becomes apparent that the rule change does not satisfy the conditions for an expedited process.



6. Territory Electricity Market Rules – Procedures

Procedures will lay out operational requirements and processes for how functions and obligations under the TEM Rules are to be carried out, articulating the detail needed to achieve the desired outcome described in the TEM Rules. As procedures are more targeted and technical than rules, change processes for procedures can be more streamlined than the process for changing the TEM Rules.

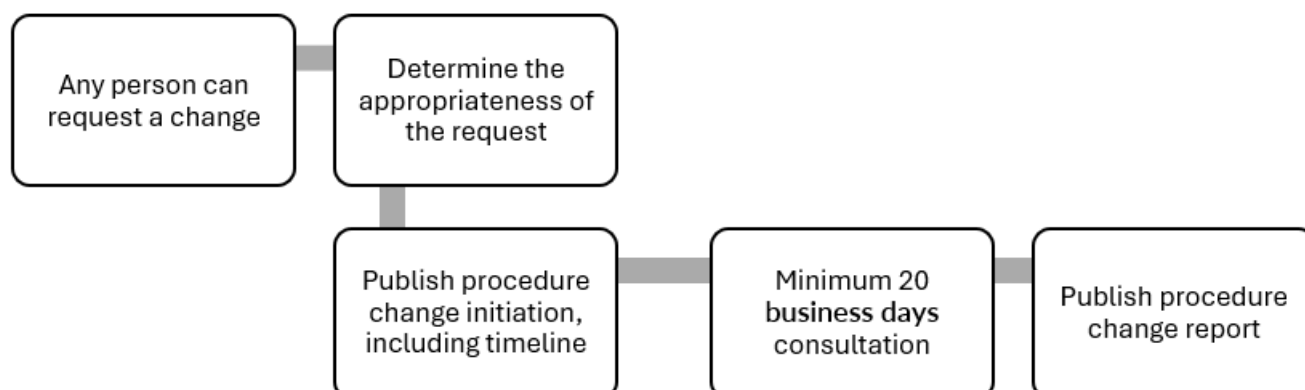
The body responsible for making and amending particular procedures will be identified in the relevant section of the TEM Rules. Where existing procedures are to be transitioned to sit under the TEM Rules, those procedures will be considered individually and appropriate transitional provisions will be developed.

6.1.1. Making and Changing Procedures

Where a new procedure is required under the TEM Rules, the responsible electricity market body will be required to develop and publish a draft of the new procedure and an accompanying discussion paper containing the prescribed content. The draft procedure and discussion paper are to be open for stakeholder submissions for a minimum of 20 business days. A procedure initiation report that includes the final procedure, outcome of the consultation and commencement provisions will then be published.

Once the procedure is established, any person will be able to request a change to that procedure. The responsible electricity market body will then be responsible for determining if the requested change will proceed and notifying the requestor.

To progress a change to a procedure, the responsible electricity market body will be required to develop and publish a draft of the change and an accompanying discussion paper containing the prescribed content. The draft procedure and discussion paper are to be open for stakeholder submissions for a minimum of 20 business days. A procedure change report that includes the final change, outcome of the consultation and commencement provisions will then be published.



6.1.2. NTESMO Procedures

To support NTESMO as it separates from Power Water Corporation to become a standalone statutory corporation, NTESMO's TEM Procedures will be subject to approval by the Planning and Investment Review (PAIR) Panel for the first three years following the commencement of the TEM Rules, with a sunset date of 30 June 2030. In a situation where NTESMO's procedure requires approval but a PAIR Panel has not yet been established, the Minister for Energy will perform this approval role. This enables additional oversight of NTESMO's operational processes while it is undergoing separation and preparing to implement the new market.

7. Consultation

Public consultation on the central planning framework consultation slides was held on 16 February 2026 at the Industry Reference Group. Consultation has also occurred with key stakeholders including Power Water Corporation and NTESMO, Department of Treasury and Finance, and Utilities Commission.

Stakeholders are encouraged to provide feedback on the Tranche 1 Exposure Drafts to inform their final drafting.

Contact Us

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