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To the Design Development Team
NTEM Priority Reform Program
Department of Treasury and Finance and the Department of Industry, Tourism and Trade
Northern Territory Government

By email: electricityreform@nt.gov.au

Dear Design Development Team

Subject – Essential System Services and Reliability priority change consultations.

Territory Generation provide the below response to the consultation papers on Essential System Services (ESS) and Reliability Capacity Mechanism, and also notes the recently published Policy Position Papers on Settlement and Dispatch that are also closely related to these consultations.

These four areas of reform are interlinked. In this response TGen will comment on all four areas of the Government's Priority Reform agenda as part of this submission to the consultations.

Overarching observations:

- The current draft policy positions and designs are founded on the basis that bilateral agreements are expected to dominate transactions, resulting in a relatively small 'market of differences'.
- As the default provider TGen, it is proposed, will be required to share details of its cost of production with the below, ringfenced, entities:
 - Market Operator (Dispatch),
 - Reliability Manager (Capacity) and
 - System Controller (Ancillary Services Procurement)

Dispatch:

TGen is supportive of moving to a dispatch process that minimises the cost of supply and uses current power system conditions to make decisions. The dispatch processes proposed by PWC, currently under consultation, does not take into account any real time conditions but rather relies on the effective merit order offered prior to the current dispatch decision. This results in sub-optimal economic dispatch outcomes.

With the likelihood of other generators selling all their whole output through bilateral agreement, the expectation is that they will offer prices that ensure they are dispatched to their full output, subject to security constraints.

- Consequently, it is anticipated that TGen will be the only generator required to submit full auditable cost data as part of the dispatch optimisation process.

- This will likely result in a situation that unfairly makes available TGen cost to competitors, who are not subject to the same requirements.

The proposal provides that the System Controller makes all decisions on unit commitment, however are only accountable for factors within their control. This highlights the increasing importance of the obligation of the System Controller to forecast the load required from each unit of scheduled generation. It is essential that the System Controller report the accuracy of their forecasting, and further that consideration is given to ensuring sufficient resourcing is available to improve forecast accuracy that will ultimately result in reduced costs of supply.

Settlement:

The proposed prudential arrangements only apply to the market settlements. Consequently, the majority of prudential risk remains in the bilateral arrangements. The policy position proposes to move to weekly settlement, from monthly, with the intention of reducing prudential exposure in the NTEM.

- The outcome from triggering NTEM prudential requirements will take time to take effect. Whilst the Policy Position paper indicate that this may be as short as 35 days post default occurring. Reducing the settlement cycle from monthly to weekly will only reduce the prudential exposure from 60 days to 42 days.
- As the majority of the prudential risk will remain in the bilateral arrangements, TGen suggests that the prudential risk benefit may not be sufficient to offset the additional cost to the Market Operator and all participants of increased administrative burden of more frequent settlement.

Reliability – Capacity Mechanism:

Following the 2019 consultation the form of Reliability Standard has been determined as a customer focused ‘Loss of Load Hours’. It is important that DTF have the opportunity to publish their decision, including rationale, and how it supports a diversion from the NEM and WEM ‘Unserved Energy’ form of standard.

TGen is supportive of a capacity mechanism being introduced, and highlight that clause 4.4A of the SCTC introduced a capacity mechanism in May 2015. The development of Guidelines contemplated within this clause will be a key element of introducing this mechanism.

The paper proposes to have the Reliability Manager advise each Retailer of their capacity obligations. Any process to achieve this will likely entail analysis of historic aggregated load profile data of each Retailer at sufficiently accurate time intervals, for example half hour to be meaningful. The importance of the Market Operator being able to provide historic datasets to inform this analysis is significant.

Essential System Services:

TGen supports the DITT proposed assessment of the current costs of providing each service and will cooperate with this process. In order to differentiate between each of the Essential System Services in the past, it is critical to understand what constraints were applied, and for what purpose, at the time. TGen does not have access to this data and it can only be provided by System Control.

Requirements of the System Controller have evolved over time, in line with the requirements of the power system, one such example was in December 2019 with the introduction of changes to the spinning reserve arrangements such that the required spinning reserve is variable (25/30/37/>37MW) and is dependent on the discretion of the generation dispatch controller.

Of particular note is that the proposal does not cover all services that TGen are currently required to provide, for example Generator Testing support nor Network outage support. Clarity should be provided by the Design Team on how they propose these other services will be recovered by generators.

In summary TGen believes that the reforms should be fit for purpose, and not be overly complex, reflecting the size of the electricity supply industry in the NT.

If clarification or further details are needed, please contact Andrew Roberts, Manager Wholesale Markets and Products (andrew.roberts@territorygeneration.com.au).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Eddie Mallan', with a small flourish at the end.

Eddie Mallan
GM Commercial

12 March 2021