TGen Response - NTESMO 2028-32 System Control and Market Operator Charges Regulatory Proposal Consultation

Territory Generation (TGen) welcomes the opportunity to respond to the Northern Territory Energy System and Market Operator (NTESMO) consultation on the FY 2028-32 System Control and Market Operator Charges Review.

As the Northern Territory's primary provider of firm, dispatchable generation and an active participant across system control, market operations, and reform implementation, TGen has a direct interest in ensuring that NTESMO's regulatory framework delivers a secure, reliable and efficiently operated power system at least cost to consumers.

TGen's submission supports the overarching objectives of system security and market integrity, while emphasising the importance of cost reflectivity, transparency, and regulatory proportionality – particularly in the context of isolated, small scale power system undergoing significant structural reform and increasing operational complexity. TGen supports prudent capability uplift where it has been clearly linked to risk mitigation and operational outcomes, while seeking appropriate safeguards to ensure that charges borne by market participants remain efficient, predictable, and aligned with cost causation.

NTESMO Questions for stakeholders

Expected Revenue Requirement

1. **Do you agree with our proposed opex step changes and the associated value propositions?**

TGen supports the proposed OPEX step changes where it is demonstrably aligned to maintaining system security and supporting the increasing operational complexity of the Darwin Katherine power system.

TGen emphasises that step changes must be clearly linked to identifiable operational risks, particularly those arising from:

- Higher inverter-based resource penetration;
- Declining system inertia;
- Increased reliance on real-time intervention.

Each step change should be accompanied by:

- A clear statement of the risk mitigated;
- The consequence of non-investment;
- Measurable operational outcomes.

Conceptually, the step changes described (e.g.: system tools maintenance, TDE support costs, OT real time support uplift, code/procedure review uplift) appear directionally consistent with the system's growing operational complexity and the move towards higher inverter-based penetration. Introducing cost benefit framing for each proposed step change such as the risk being mitigated (forecast error > reserve procurement > cost impacts; system outages > operational intervention costs); the counterfactual (what happens if not funded) and measurable deliverables (what 'done' looks like and when) is required to justify each portion of the ~25% increase in operational costs.

NTESMO describes the need to uplift its opex costs as resulting from *"continued change in NTESMO's operating environment; the scale of the uptake of distributed energy resources and large-scale solar PV generation, and its*

integration into existing networks and systems", however it does not appear to participants that there are any operational efficiencies in management of these changes through the current major capital expenditure in the Territory Dispatch Engine (TDE). Conversely, TGen notes that the substantial uplift in annual opex costs predominantly relates to system support and maintenance, both in professional fees and residual costs, of the TDE and transitional tools. As the business case was not published with the previous consultations, participants must assume that the increase in ongoing operational costs were included in the business case at the time, and the Utilities Commission was satisfied these were prudent ongoing costs.

Given Territory Generation's role as the primary provider of firm capacity and system strength, it is essential that step changes deliver tangible improvements to dispatch certainty, operational transparency, and real time coordination, enabling an overall reduction in whole of system costs in particular through improved generation efficiency and effectiveness.

2. **Do you have any questions or comments regarding the approach taken to forecasting opex?**

TGen supports the base step trend approach, noting it aligns with good regulatory practice. However, further clarity would materially improve stakeholder confidence including:

- Reconciliation from audited base year to adjusted base year, including removal of non-recurrent items;
- Clear disclosure of labour escalation assumptions and sensitivity testing;
- Stable and predictable cost allocation rules between system control and market operator functions to avoid volatility unrelated to actual operational activity.

3. **Do you support investment in the System Tools project and its proposed value proposition?**

TGen supports investment in system tools conditionally provided governance ensures interoperability, auditability, and measurable operational benefits where system tools:

- Improve dispatch accuracy, forecast quality and real time visibility;
- Reduce the need for conservative manual intervention that can distort efficient dispatch outcomes;
- Are fully integrated with existing EMS/SCADA/AGC environments and evaluated with generator participation.

TGen notes the importance to avoid duplicative tools, ensure interoperability with generator systems and linking tool investment to demonstrable reductions in operational uncertainty or intervention costs.

4. **Is there anything specific you would like to see detailed in our Regulatory Proposal related to forecast revenues, particularly in relation to Corporate Overheads?**

From a TGen perspective, it is critical that:

- Corporate overhead allocations are clearly justified on a cost-causation basis;
- Clear breakdown between 'Business as Usual' operational costs, transitional separation costs and enduring standalone NTESMO costs;
- Transparency on which overheads are expected to fall away post-separation versus those that will persist.

This clarity is essential to avoid generators funding costs that are not directly attributable to system or market operations.

In regard to corporate capex proposed for shared Power and Water corporate assets, further clarity is required on whether following separation, NTESMO will continue to be located in the Power and Water single site?

If not, NTESMO should not bear a cost allocation for this PWC corporate project, and should instead focus of fit for purpose and scale corporate requirements. Similarly, PWC should review the scope of its project and right size it for the change in structure also.

Productivity Factor

5. **Do you agree with our current proposal for the FY2028–32 productivity factor?**

TGen supports the proposed 0% productivity factor for the FY2028-32 period, recognising:

- The system is undergoing structural reform and institutional separation;
- NTESMO faces material scope expansion and capability uplift requirements;
- Imposing productivity offsets during transition risks under-investment in system security capability.

It is recognised that the implementation of the TDE and other tools are major capital projects currently underway, and should enable more efficient operation in future regulatory periods, as well as operational stability reflective of more mature and similar sized operators who currently apply a productivity factor.

6. **Are there any other jurisdictions, or approaches, NTESMO should review to inform our approach to proposing a productivity factor?**

TGen supports benchmarking as contextual input only. Comparisons must recognise that:

- The Northern Territory system is small, isolated and security-constrained;
- Economies of scale available to NEM operators do not translate directly;
- Asset-light market operators in small systems require higher per unit costs to maintain minimum viable capability.

Performance Incentives

7. **Do you agree with the KPIs we have proposed to monitor, the indicative targets, and the number of KPIs proposed?**

TGen supports a limited, focussed KPI set, provided that:

- KPI's are clearly defined, measurable and independently verifiable;
- Targets appropriately balance system security obligations and efficient market outcomes.

KPI's should not incentivise overly conservative system operation that could unnecessarily increase generator costs.

8. **Are there any further KPIs you see value in being included in the performance incentive framework?**

TGen suggests consideration of:

- Operational transparency KPI's such as timeliness and clarity of operational notices and dispatch instructions;
- Change Management KPIs for major system tools and TDE implementation, focussing on defect rates and post release stability.

Any additions should remain minimal to preserve focus and effectiveness.

Accommodating Reform

9. **Do you have any questions regarding the impacts on NTESMO arising from the TEM reforms?**

TGen's key questions are related to cost scope and allocations.
Key questions include:

- Which reform activities will be recovered through regulated charges versus government funding?
- How transitional duplication between legacy arrangements and new structures will be avoided?
- How cost overruns or scope changes will be managed from a regulatory perspective?

Given the significant impact on NTESMO's corporate costs in particular from separation, it appears to be premature to commence this current consultation prior to the inclusion of the TEM reform cost impacts.

10. **Do you have any suggestions on how NTESMO can accommodate the reform efficiently?**

TGen recommends:

- Clear reform program governance with defined milestones;
- Transparent tracking of reform costs against approved budgets;
- Implement a transition cost tracker with quarterly reporting: forecast vs actual, drivers of variance and mitigations;
- Preference for scalable, fit for purpose solutions over bespoke or over-engineered systems.

11. **Do you agree with the proposed approach to including reform costs in the Regulatory Proposal?**

TGen supports separate identification of reform costs, provided:

- Costs are clearly categorised as transitional or enduring with a clear cost category map;
- There is a mechanism to revisit costs if reform scope materially changes;
- Stakeholders are not exposed to reform costs that do not directly support system or market operation.

Tariff Structure

12. **What are your preferences for the structure of the tariff?**

TGen supports a tariff comprising:

- A modest fixed component reflecting the largely fixed nature of NTESMO costs;
- A smaller variable component to retain some usage-based signal.

This balances cost reflectivity with stability and predictability.

13. **Do you have any concerns about moving from a fully variable charge to recovering some or all of NTESMO's costs using a fixed monthly charge applied to each connection point?**

TGen is of the view that implementation and equity risks must be managed. Key concerns include:

- Clear definition of connection points applicable to generators;
- Avoiding disproportionate impacts on infrequently dispatched but security critical generation plant;
- Ensuring any transition is phased and supported by clear impact analysis.

Territory Dispatch Engine

14. **Do you have any questions on the implementation process and timeline?**

TGen seeks clarity on:

- Participant readiness requirements;
- Parallel run and testing arrangements;
- Fallback procedures if implementation timelines shift.

15. **Do you have any feedback or suggestions as to how we could communicate implementation progress?**

TGen recommends:

- Routine progress reporting dashboards available through NTESMO website;
- Clear change logs identifying scope, schedule, or cost changes;
- Ongoing technical working groups with generators to resolve issues early;
- Timelines for any participant involvement (e.g. in provision of technical information, or system testing) are communicated well in advance and managed with direct updates to participants.