



29 March 2019

Ms Jodi Triggs
Market Operator
Power and Water Corporation
GPO Box 2601
Darwin NT 0801

By email to market.operator@powerwater.com.au

Dear Jodi

Generator Performance Standards (GPS) consultation paper

Thank you for the opportunity to provide a submission to the Market Operator, Network Operator and System Controller regarding proposed changes to the Network Technical Code (NTC), System Control Technical Code (SCTC) and Secure System Guidelines (SSG) as set out in your consultation paper dated 18 December 2018 and the two March 2019 supplementary papers (collectively, the Paper).

EDL is a leading global producer of sustainable distributed energy. We own and operate around one hundred power stations across Australia, North America and Europe including the Pine Creek and McArthur Rivers Power Stations in the Northern Territory.

We note that:

- the proposed changes set out in the Paper are being undertaken as part of the Government's transition from the Interim to the full version of the Northern Territory Electricity Market (NTEM) and
- the Government's objectives for doing so involve maintaining power system security and reliability, accommodating additional sources of low carbon generation and delivering affordable energy prices to the Territory's households and businesses.

In this regard, EDL:

- supports those objectives and notes that those three limbs of the "energy trilemma" provide an appropriate framework for evaluating the proposed GTS changes
- notes that the Utilities Commission, in deciding whether or not to approve changes to the Code, is required to have regard to a range of factors including the need to facilitate entry into relevant markets, promote economic efficiency and ensure consumers benefit from competition¹ and
- also notes the statement in the Paper that the Network Operator and System Controller are proposing to adopt new standards largely based on the National Electricity Rules Schedule 5.2 except where "the costs of adoption may outweigh the benefits"².

¹ *Utilities Commission Act 2000* s 6(2).

² Paper, p 5.



With the above in mind, we submit our major concerns with the changes.

“Do no harm”

The first concerns the “do no harm” principle upon which the proposed additional forecasting and GPS requirements are based.

EDL supports the making of *appropriate* enhancements necessary to deliver the Government’s reform plan. However, the proposed additional requirements are significant. Consistent with the criteria discussed above, we note there appears to have been no modelling or analysis undertaken that demonstrates that:

- the value to energy consumers of those enhanced capabilities will exceed the investment costs to generators (and other parties) or
- that the approach is likely to be more efficient than addressing (at least some of) those system concerns through other means (for example, network augmentations).

In short, the principle of “do no harm” should not equate to an approach of “at an unreasonable (net) cost”. We also note that there also appears to have been no analysis undertaken that supports where those additional costs should lie. There simply appears to have been an implicit decision made that generators should bear (close to) the full amount.

We submit that these matters need to be properly addressed, including involving appropriate consultation with industry stakeholders, prior to any decision being taken to approve the changes.

It could perhaps be argued that doing so wouldn’t be necessary if PWC and the Utilities Commission were otherwise able to form the view that the overall industry costs and the costs to individual participants were not unreasonable. In this regard, we note that EDL will be unable to provide a meaningful assessment of the cost impacts to its own operations until further progress has been made on the power system modelling that PWC is currently undertaking.

Derogation

An alternative approach may be to continue to derogate existing conventional generation plant from some or all of the changes, a position that we would be willing to support. The proposed revisions to clause 12 appear to be trying to address this. However, we are concerned that that wording doesn’t achieve the desired outcome and may actually deliver the reverse by binding currently derogated generators to a higher standard. We also note that, under the current version of the *Electricity Networks (Third Party Access) Act 2011*, there may in fact be no ability to either revoke an existing derogation or to make a new one. Accordingly, we strongly submit that this aspect of the changes requires further consideration and consultation.

Timeframes

We are also deeply concerned about the prospect of PWC and generators collectively being able to complete the power system modelling required before the NTEM can commence. In particular, and as you would be aware, EDL is currently addressing a failure of one of the gas turbines at Pine Creek PS. This is currently expected to take in the order of two months to complete but may in fact require longer. This introduces a delay in EDL’s ability to participate in the system-wide modelling process and, by implication, our ability to meaningfully assess the impact of the proposed GPS changes.

We would like to stress that we are committed to continuing to work with PWC, the Government and the rest of the industry to deliver a properly functioning NTEM and emphasise that doing so will require a clear, agreed and pragmatic approach to addressing the complexities involved.

On this point, EDL has a number of concerns regarding the draft functional specification for the NTEM. Given the inter-relationship between the two processes, I have therefore:

- attached a copy of our letter on the NTEM to the Department of Treasury and Finance and
- have forwarded both submissions to the Department and the Utilities Commission.

Yours faithfully

A handwritten signature in black ink, consisting of several overlapping loops and a vertical stroke, representing the name Anthony Englund.

Anthony Englund
Head of Regulatory Affairs
EDL