

Friday, 12 March 2021

Design Development Team
Northern Territory Electricity Market Priority Reform Program
Department of Treasury and Finance
Darwin NT 0800

By email to: electricityreform@nt.gov.au

Dear Design Development Team,

Subject: Submissions to Consultation Paper: Essential System Services

Rimfire Energy (“Rimfire”) welcomes the opportunity to provide its submission to the Design Development Team regarding the *Consultation Paper: Essential System Services*.

Key Comments

Interaction between Essential System Services and Community Service Obligation

Rimfire considers that there is an overarching requirement that needs to be considered when designing any market changes, including Essential System Services (“ESS”), and that is the necessary retail tariff reform to ensure pass-through of costs where appropriate, and the interaction between changes to the essential system service arrangements and the community service obligation must be taken into consideration.

Support competition

Rimfire considers that support of technology neutral solutions that encourage competition for the provision of ESS is fundamental to reform efforts, this includes the ability for retailers and other providers to participate in the supply of ESS services via distributed generation control and aggregation, distributed load control, load reduction technologies.

Transparency

Rimfire is supportive of unbundling of services to allow for transparency of the provision of services and oversight of the System Controller’s decision.

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Detailed Comments

Service Definitions and Types of ESS

Rimfire is supportive of a common set of service types and definitions as detailed per Table 2-2 of the draft position paper. These definitions should be defined and specified by an independent body such as the NT Utilities Commission (“UC”). While there needs to be flexibility in the ability to define and create future service definitions, these should be established through a consultative process administered by the UC. Accordingly, there should be no provision for System Controller to purchase undefined essential system services.

Service Requirements

Rimfire is supportive of the adoption of service standards which should be linked to the list of services. Rimfire is supportive of the adoption of governance arrangements to ensure decisions by System Control are prudent, reflect efficient use of services, and are separated from those functions of Power Networks.

Service provision framework

Rimfire is supportive of the objective to keep administrative costs as low as possible.

Rimfire supports decentralisation of ESS provision sooner rather than later. Accordingly, we do not support the comments of other SWG participants that ESS should be provided centrally as this reinforces a lack of openness to competition. On the contrary, Rimfire supports the statement that: *“The current approach to essential system service provision is not a competitive process and therefore won’t facilitate the procurement and least cost dispatch of essential system services as more potential providers enter the market.”*

Rimfire believes it is important to demonstrate to potential new service providers (such as individual generators, distributed generation aggregators, load control aggregators, retailers, and other service providers) that there is an established and operating competitive process for procuring essential system services. The proposal to empower the System Controller to purchase default from the incumbent represents a deterrence to future potential participants. Rimfire therefore proposes an open process that allows potential new services providers the ability to submit their offers immediately upon commencement of the new framework. Accordingly, Rimfire does not support the proposal: *“A competitive provision framework for essential system services should empower and oblige the System Controller to enter into an essential system services contract, where:*

- *it does not consider it can meet the essential system services requirements from Territory Generation’s (T-Gen) existing facilities; or*
- *it considers an essential system services contract provides a less expensive alternative to essential system services provided by T-Gen’s existing facilities.”*

Rimfire agrees that the provision of regulating frequency control is the service most suited to provision through a spot market. However, we do not agree that the potential to provide it through a spot market could be reviewed in the future. Delaying the establishment of the spot market to a future review may create a barrier to entry for the provision of the services by alternative providers. It is better to establish the framework for the spot market now and



create certainty for the future. If it is decided to delay establishment of a spot market, then there needs to be defined criteria that indicates when and how such a market will be commenced.

Administered pricing arrangements and market power mitigation.

Monopoly provision

Rimfire is supportive of price regulation via a price cap that commences based on Territory Generation costs, and this should transition to best practice costs rather than an administered price which is unlikely to achieve efficient cost outcomes. Regular audits from an external provider (as deemed appropriate by UC) with the provision for adjustments if found to have material discrepancies should also be considered.

Competitive provision

Rimfire supports the use of LRMC is a reasonable approach to determining the cost of providing the service. Although, rather than Territory Generation being the default provider, it should be a provider of last resort. This is to future proof the provision and ensures that alternatives are investigated and provided an opportunity for alternative service providers to offer the services.

Cost allocation and settlement.

We support the statement that existing arrangements would be inadequate and agree that proposed allocation of costs by essential system service is reasonable. However, support is contingent on there being timely and appropriate changes to the current retail tariffs / CSO framework that enables the costs to be recovered by the retailer.

Rimfire supports the user pays principle and the adoption of table 7-2 as a reasonable basis for allocation of costs, and the need for detailed cost allocation service settlement rules to be undertaken through a consultative process.

Implementation

Rimfire supports alignment with the NEM wherever possible, as this will support future competition as there is generally a common understanding of the NEM across Australia.

Rimfire supports improvements to governance and agree with other stakeholder comments regarding the inherent conflict in PWC's various roles. Governance, definition, and provision of ESS needs to be independent of System Control.

Rimfire supports the draft position in section 7.4 for implementation through NER where equivalent frameworks exist.

Regards

Michael Allen

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