

12 December 2016

Jack Fitcher  
Chief Financial Officer  
Australian Energy Markets Operator  
GPO Box 2008  
Melbourne Vic 3001

By email: [jack.fitcher@aemo.com.au](mailto:jack.fitcher@aemo.com.au)

Dear Dr Jack Fitcher,

**RE: Structure of participant fees in AEMO's electricity full retail competition market (3 November 2016)**

Endeavour Energy welcomes the opportunity to provide feedback on AEMO's consultation on the structure of participant fees in AEMO's electricity full retail competition market.

AEMO made a final determination on the Electricity FRC fee on 17 March 2016 to continue charging Market Customers with a retail licence, that is the Retailer, and continue to calculate the fee based on MWh energy consumed until 30 June 2019. From 1 July 2019 the fee will be calculated on a per connection point basis. The final determination included a trigger clause to allow AEMO discretion to consult on the Electricity FRC fee to consider any impacts of the Power of Choice projects. AEMO now considers it appropriate to review the Electricity FRC fee and has invoked the trigger clause to start this consultation.

Endeavour Energy agrees that with significant changes introduced by Power of Choice it is warranted to reassess the Electricity FRC fee. We support the Electricity FRC fee to continue as per AEMO's final determination on 17 March 2016 as it provides an appropriate balance of the guiding principles of the National Electricity Objective, National Electricity Law and the National Electricity Rules. As a member of the Energy Networks Australia we support their submission.

Please find attached Endeavour Energy's detailed response to questions raised in the consultation paper.

We would welcome the opportunity to work collaboratively with AEMO. If you have any queries or wish to discuss this matter further please contact Jon Hocking, Manager Network Regulation at Endeavour Energy on (02) 9583 4386 or via email at [jon.hocking@endeavourenergy.com.au](mailto:jon.hocking@endeavourenergy.com.au)

Yours sincerely,



Rod Howard

**Acting Chief Executive Officer**

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## Structure of participant fees in AEMO's electricity full retail competition market

### Consultation Questions

**In AEMO's Final Electricity Fee Structure Report published on the 17 March 2016, it was concluded the electricity FRC fee structure basis for charging Market Customers (Retailers) from 1 July 2019 is a fee collected on a per connection point basis. Given this was the determination published in March 2016, since then, is there a compelling reason not to proceed with this change?**

The Electricity FRC fee covers AEMO's costs to provide people, processes and IT systems to support FRC services in managing data for settlement purposes, retail market functions and customer transfers, business to business processes and market procedures changes and project implementations. AEMO determined on 17 March 2016 to continue charging the Electricity FRC fee to Market Customers with a retail licence, that is the Retailer, because they are directly involved in the FRC services that AEMO provides and this structure supports the simplicity principle.

The consultation paper presented four options for consideration. The first is to continue charging the Electricity FRC fee to Market Customers with a retail licence (option 1), the second is to charge the Electricity FRC fee to Metering Coordinators (option 2), the third is to charge the Electricity FRC fee to Distributed Network Service Providers (option 3) and the fourth option is for any alternate structure anyone wants to propose.

Endeavour Energy supports option 1 which is to continue charging the Electricity FRC fee to Market Customers with a retail licence because there is no compelling reason not to proceed with AEMO's determination on 17 March 2016. Not only does this approach provide a balance of the guiding principles of the National Electricity Objective, National Electricity Law and the National Electricity Rules, it is also simple to implement and manage.

Endeavour Energy does not support charging the Distributed Network Service Providers as they are existing participants and the Power of Choice has not made any significant changes to this role to justify changing AEMO's determination on 17 March 2016. In addition, as highlighted by AEMO, charging the Distributed Network Service Providers would create complexities in billing systems and procedures for managing billing disputes with little value given that these charges will be passed on to the Retailers. Charging the Distributed Network Service Providers would ultimately have the same end result as AEMO charging Retailers directly but with extra cost added, due to the initial set up cost and ongoing operational costs, which is likely to then be passed on to customers by the Retailers. Overall this option, when compared to AEMO's determination on 17 March 2016, provides no benefit and is less conforming to the principle that the structure of the Electricity FRC fee should be simple.

Endeavour Energy also does not support charging the Metering Coordinator, a new role that is replacing the existing Responsible Person role. We note that currently AEMO does not levy the charge on the Responsible Person role. Any person may become a Metering Coordinator subject to meeting the registration requirements and the Retailer is responsible for ensuring that a Metering Coordinator is appointed for each connection point. Given that Retailers are the main beneficiary of the services provided by Metering Coordinators it is likely that these charges would be passed back to the Retailers, which in effect would be the same as charging the Retailers directly. Another concern is the barrier of entry for Metering Coordinators who are not affiliated with a Retailer. Moving from AEMO's current simple billing structure to the Metering Coordinator would create extra unwarranted billing complexities and cash flow difficulties. From 1 December 2017 the Distributed Network Service Providers are mandated to be the Metering Coordinator for existing type 5 and 6 metering installations

which accounts for over 90% of the metering installations. Charging the Metering Coordinator would in effect also mean charging a regulated business that would need to go through a process with the AER to gain approval for a pass through cost. The industry would be better off if this extra process is not required during a period of significant system and procedural changes in preparation for the go live of metering competition.

AEMO has highlighted that charging the Retailer may not capture other users of the Electricity FRC service that AEMO provides, in particular the Embedded Network Manager and Third Party B2B Participants. However AEMO's procedures as finalised to date indicates that either their use of the Electricity FRC service that AEMO provides is minimal or that they are providing a services where the main beneficiary is the Retailer.

In summary, Power of Choice has not made any significant changes to justify changing AEMO's determination on 17 March 2016.

**AEMO welcomes your comments on staged implementation if an alternative option is proposed or if not, whether the implementation date for connection point basis of charging should remain at 1 July 2019 or earlier?**

Endeavour Energy supports charging on a connection point basis as this better apportions the cost of AEMO's electricity FRC services to the users of the services. In addition this methodology aligns charges for the gas FRC market and the charges for the Energy Consumer Australia's electricity functions. As highlighted by AEMO's determination on 17 March 2016 the start date for charging on a connection point basis was delayed to 1 July 2019 to minimise cost and complexities of implementing system changes for the go live of metering competition. Endeavour Energy supports this approach and therefore supports the delay to 1 July 2019.

**Whether an acceleration of the change to connection point charging to 1 July 2018, would create implementation challenges for your business?**

See above

**We welcome your comments on any other issues relating to the structure of Participant fees in AEMO's Electricity FRC market?**

Nil