

3 June 2022

Mr Daniel Westerman
Chief Executive Officer and Managing Director
Australian Energy Market Operator

Via email: stakeholderrelations@aemo.com.au

Dear Mr Westerman

RE: 2022-23 AEMO Budget and Fees

The Queensland Electricity Users Network (QEUN) appreciates the opportunity to provide a submission on the Australian Energy Market Operator's 2022-23 Budget and Fees.

The QEUN is an advocate for small business and residential energy consumers, with a particular interest in regional consumers. We advocate for affordable, reliable and secure electricity from a resilient National Electricity Market where the pace of the transition to a renewable energy future is not at the expense of the economy, jobs or reasonable living standards.

"It's crazy to think you can plan a national electricity system with minimal input from consumers, particularly the largest customer of NEM supplied electricity – small business."

Jennifer Brownie, Coordinator, Queensland Electricity Users Network

There is no doubt AEMO appreciates the input provided by residential and business consumer advocates in its forums.

However, the increasingly complex energy transition in Australia requires the participation of both consumer advocates and 'informed' consumer advocates. With no formal course for energy consumer advocacy, individual advocates must invest years to gain the knowledge to be an effective participant in AEMO's more advanced forums. Time is money and money is hard to find for all energy consumer advocates except Energy Consumers Australia (ECA).

ECA is funded by fees collected by AEMO.

In the AEMO 2022-23 Budget, the ECA revenue requirement is \$8.28 million, a reduction of \$340,000 from this year's requirement of \$8.62 million (Table 1).

The 2022-23 ECA requirement is almost the same as two years ago being \$8.29 million in 2020-21 (Table 2).

Despite the increasing demand for consumer input from all sectors of the energy industry, government, regulatory entities and AEMO, the ECA budget has not increased in 2022-23.

This is out of step with the federal government's additional financial support to the Australian Energy Regulator and the Australian Energy Market Commission. Their additional government funding has enabled them to cope with an increased workload caused by an increasingly disorderly energy transition.

According to the AEMO 2020-21 Annual Report employee benefits totalled \$159 million, an increase of \$11 million on the previous year. Consulting and contracting expenses remained relatively stable at \$28 million. The 2020-21 AEMO Financial Statements state AEMO spent \$162 million on 'wages and salaries', an increase of \$16 million on the previous year. The AEMO Annual Report does not state the number of employees.

In comparison, ECA's grant allocation for 'energy consumer advocacy and research' has hovered around \$2 million since its inception in 2014. In 2020-21 ECA allocated \$1.9 million to advocacy and research grants of which a miniscule amount was allocated to small business energy consumers (Figure 1).

Small business is the largest user of NEM supplied electricity (Figure 2).

Yet small business has the smallest voice in AEMO forums and also across all energy consultations.

We have previously approached AEMO to provide financial support for energy consumer advocacy. The AEMO advice is its Constitution prohibits any financial support for energy consumer advocates. Other entities in the energy industry (which include industry members of AEMO) have recognised the value of energy consumer advocacy and have provided financial support. Although the support is limited mainly to sitting fees, it does demonstrate others in the energy industry do place value on energy consumer input and are prepared to pay for input.

AEMO continues to appreciate consumer input yet expects to receive consumer input for free.

This is particularly grating for consumer advocates who participate in AEMO's more advanced forums that operate at the *collaborate* not *consult* level of the IAP2 Spectrum of Public Participation (Figure 3).

AEMO is a not-for-profit public company with a membership that comprises of 60% government and 40% industry members. Government members are the Commonwealth, New South Wales, Victoria, Queensland, South Australia, Western Australia, Tasmania and the Australian Capital Territory.

The Government members of AEMO are also members of the COAG Energy Council which has oversight of the ECA Budget. The ECA Constitution states the sole member of the ECA is the South Australian Energy Minister:

5. MEMBERSHIP

5.1 Number of Members

The Company shall have only one Member.

5.2 Identity of the Member

The Member of the Company shall be the Minister of the Crown in right of the State of South Australia for the time being administering the National Energy Laws as applied by South Australia.

In relation to the ECA Budget, the ECA Constitution states:

18.3 Business Plan and Annual Budget

(a) Each year, no later than three months before the commencement of each financial year of the Company, the Board must prepare and submit to the Member:

- i. a draft Business Plan relating to the upcoming financial year; and*
- ii. a draft Annual Budget relating to the upcoming financial year (Year 1) and two subsequent financial years.*

(d) The Member may provide copies of, and consult with, the Energy Council in relation to the draft Business Plan and draft Annual Budget. The Member must provide any comments on the draft Business Plan and draft Annual Budget to the Board before the commencement of the Company's financial year.

(e) The Board must consider any comments on the draft Business Plan and draft Annual Budget which are submitted by the Member to the Secretary within one month of the commencement of the Company's financial year.

(f) Following consideration of the Member's comments under article 18.3(d) (which in the case of any comments regarding Year 1 of the Annual Budget must be adopted by the Board but which in the case of the remainder of the Annual Budget and the Business Plan may be adopted or rejected by the Board in its discretion), the Board must issue, within 3 months of the commencement of the financial year:

- i. a final Business Plan and a final Annual Budget to the Member; and*
- ii. a final Annual Budget to AEMO for the purpose of AEMO providing funding to the Company as contemplated by article 2.2(b)*

More than ever AEMO requires input from consumer advocates to navigate an increasingly disorderly energy transition.

It needs consumer advocates to participate at both the 'consult' and 'collaborate' level of the IAP2 Spectrum of Public Participation. A good example of a consult level forum is the AEMO Consumer Forum. The Consumer Forum is excellent for building energy consumer capacity.

However, AEMO cannot plan a national electricity system without *informed* consumer advocates participating in the advanced AEMO forums (eg the Forecast Reference Group) at the 'collaborate' level of the IAP2 Spectrum.

AEMO also needs to seriously address the minimum input from small business consumers. This is important as small business is the engine room of the economy and the largest employer in Australia. The supply of affordable and reliable electricity to small business is critical to their viability and the future demand for NEM supplied electricity.

Whilst we understand AEMO only collects ECA funding, government members of AEMO are complicit in starving energy consumers of funding for advocacy and research. Without adequate funding, energy consumer advocates cannot bring evidence based recommendations to AEMO forums or other energy consultations.

The QEUN's proposed increase in ECA funding is miniscule compared to the funding provided by the federal government to the AER and the AEMC, or the funding AEMO needs to maintain its operations.

The AEMO 2022-23 Budget states it will collect on behalf of ECA \$0.01185 per electricity point of connection per week from residential and small business electricity consumers. This contributes \$0.62 to an annual power bill. The AER's 2021 State of the Energy Market Report estimated a residential power bill ranged from \$1,227 to \$2,385 (Table 3). This means \$0.62 represents less than 0.0005% of a residential power bill. In percentage terms it is even less for small business consumers as their annual power bills are substantially more.

We firmly believe electricity consumers would wholeheartedly embrace a doubling of the electricity point of connection fee to \$1.24 per year, *if* this resulted in electricity consumers having an effective and strong voice in energy consultations including in AEMO forums.

Conversely, the COAG Energy Council (now the Energy National Cabinet Reform Committee) could provide an additional \$6 million in funding to ECA on the proviso that the funding be used to support 'general' advocacy, not the current ECA Board policy of funding consumer advocacy and research on a project-by-project basis.

Funding general advocacy would allow energy consumer advocates to build capacity by participating in consultations across energy industry sectors, state and federal government departments, AEMO, the AER and the AEMC.

The current deadlock on recognising and addressing the need for more energy consumer funding, and the need to address the inequitable funding to business consumers, cannot continue.

Australia is facing a very real energy crisis.

Energy consumers are partly responsible for the crisis but they are also a huge part of the solution.

Energy consumers need a strong voice and the ability to provide evidence based recommendations -this requires funding.

AEMO needs to work out if they actually 'value' the input of consumer advocates and *informed* consumer advocates.

Table 1: Energy Consumers Australia revenue requirement and fees

	Budget 2021-22	Budget 2022-23	Variance	Variance
Electricity				
Revenue Requirement (\$m)	6.43	6.02	-0.41	-6.3%
Electricity FRC - Connection Points (Millions)	10.49	10.59	0.11	1.0%
Electricity Fee (\$/connection point for small customers per week)	0.01185	0.01104	-0.00081	-6.8%
Gas				
Revenue Requirement (\$m)	2.19	2.26	0.08	3.6%
MIRN's Basic Meters - Total (Millions)	4.73	4.81	0.08	1.6%
Gas Fee (\$/customer supply point per month)	0.03861	0.03925	0.00064	1.7%

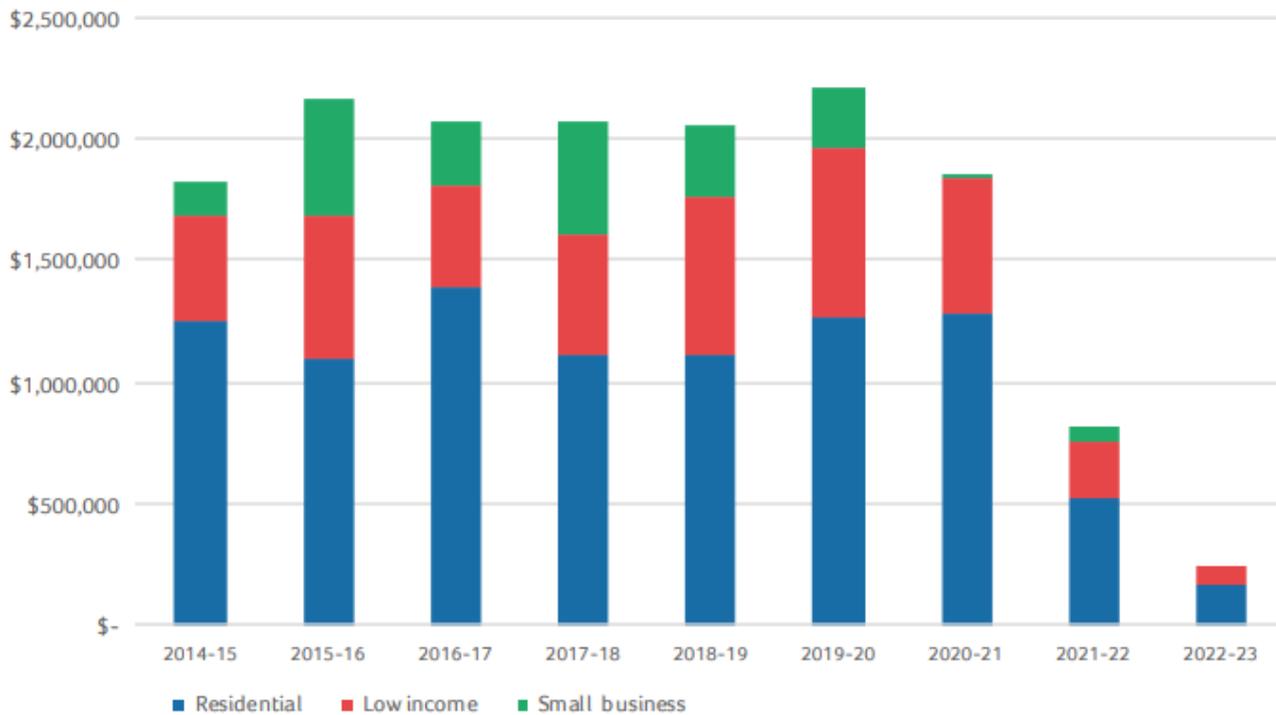
Source: AEMO 2022-23 Budget and Fees

Table 2: Energy Consumers Australia revenue requirement and fees

	Budget 2020-21	Budget 2021-22	Variance	Variance
Electricity				
Revenue Requirement	6.34	6.43	0.08	1.3%
Electricity FRC - Connection Points	10.36	10.49	0.12	1.2%
Electricity (\$/connection point for small customers per week)	0.01185	0.01185	0.00000	0.0%
Gas				
Revenue Requirement	1.95	2.19	0.23	11.8%
MIRN's Basic Meters - Total (Millions)	4.75	4.73	-0.02	-0.4%
Gas (\$/customer supply point per month)	0.03429	0.03861	0.00432	12.6%

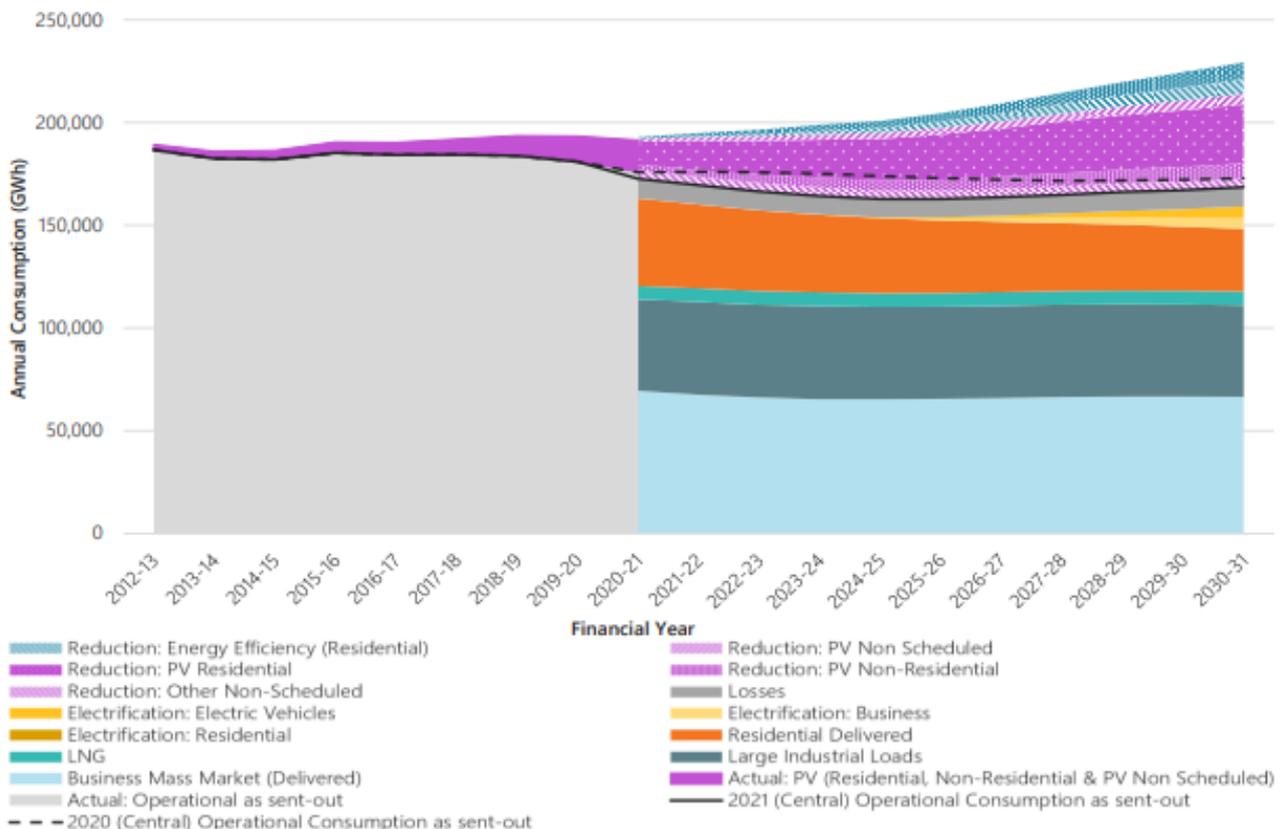
Source: AEMO 2021-22 Budget and Fees

Figure 1: Energy Consumers Australia grant allocations by type of energy consumer – 2014-15 to 2022-23



Source: Energy Consumers Australia Grants Program Annual Report Supplementary Information 2020-21

Figure 2: NEM electricity consumption, actual and forecast, 2012-13 to 2030-31, Central Scenario



Source: AEMO 2021 Electricity Statement of Opportunities

Figure 3: IAP2 Spectrum of Public Participation

INCREASING IMPACT ON THE DECISION 					
	INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
PUBLIC PARTICIPATION GOAL	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision making in the hands of the public.
PROMISE TO THE PUBLIC	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

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Source: International Association of Public Participation website

Table 3: Estimated annual residential customer bill, February 2021

JURISDICTION	WHO SETS STANDING OFFER PRICES?	DISTRIBUTION NETWORK AREA	CHANGE IN MEDIAN OFFER (%)				ESTIMATED ANNUAL CUSTOMER BILL, FEBRUARY 2021 (\$)	
			JUN 2019 – JUN 2020		JUN 2020 – FEB 2021		MARKET	STANDING
			MARKET	STANDING	MARKET	STANDING	MARKET	STANDING
Electricity								
Queensland	Retailers (capped at DMO)	Energex	-1.7	-7.8	-7.5	-4.4	1,505	1,791
	QCA	Ergon Energy	3.1	-2.0	-5.1	-6.5	1,848	1,840
NSW	Retailers (capped at DMO)	Ausgrid	-6.2	-10.5	-5.0	-0.8	1,543	1,898
		Endeavour Energy	-7.3	-13.7	-5.9	-0.9	1,652	2,035
		Essential Energy	-2.2	-12.2	-4.3	0.5	1,956	2,385
Victoria	ESC	Citipower	1.5	-13.5	-9.1	-10.8	1,227	1,346
		Powercor	0.0	-18.6	-10.4	-10.6	1,431	1,585
		AusNet Services	3.9	-14.6	-8.3	-8.8	1,523	1,682
		Jemena	2.6	-15.9	-10.6	-11.4	1,233	1,366
		United Energy	5.0	-12.4	-11.5	-13.1	1,308	1,449
South Australia	Retailers (capped at DMO)	SA Power Networks	-4.8	-13.3	-7.2	-5.7	1,785	2,051
Tasmania	OTTER	Aurora Energy	2.6	4.9	-1.6	-0.7	2,419	2,536
ACT	ICRC	Evoenergy	4.7	-1.3	-4.6	-3.3	1,711	1,937

Source: 2021 State of the Energy Market, Australian Energy Regulator



Thank you for the opportunity to provide a submission.

We would welcome a discussion on how AEMO's 2022-23 Budget could provide support for energy consumer advocacy.

Yours faithfully

A handwritten signature in blue ink that reads 'J Brownie'.

Jennifer Brownie

Coordinator

Queensland Electricity Users Network