

16 December 2016

Jack Fitcher
Australian Energy Market Operator Limited
GPO Box 2008
MELBOURNE VIC 3001

Energy in
action!



By email to jack.fitcher@aemo.com.au

Dear Mr Fitcher

AGL Response - AEMO consultation on the structure of participant fees in AEMO's Electricity FRC market

AGL Energy Limited (**AGL**) welcomes the opportunity to respond to the Australian Energy Market Operator's (**AEMO's**) Consultation Paper on the Structure of Participant Fees in AEMO's Electricity Full Retail Competition Market to consider the impact associated with Power of Choice (**POC**) projects.

AGL is Australia's largest integrated energy company, operating across the supply chain with investments in coal-fired, gas-fired, and renewable electricity generation and is a significant retailer of energy, providing energy solutions to over 3.7 million customer accounts in the NEM. AGL is Australia's largest ASX listed owner, operator and developer of renewable generation.

In previous submissions to AEMO's Electricity Markets Structure of Participant Fees over the last few years AGL has consistently stated that participant fees are a significant expense to AGL, and we therefore support a nationally consistent and principles-based approach to setting participant fees. Therefore, AGL is broadly supportive of the guiding principles set out in the AEMO Consultation Paper in determining the most appropriate option for charging and paying the Participant fees.

1. What Registered Participants should pay FRC Electricity market fees?

AGL prefers option one, being to continue to levy 100% of fees on Market Customers (retailers). We support AEMO's assessment that Options 2 (levy a fee on metering coordinators) and 3 (levy a fee on distribution network service providers) are less simple and can create complexities in billing systems for retailers by charging upstream participants (networks and metering co-ordinators) a portion of the fee.

AGL also contends that charging upstream participants is also likely to increase administrative costs associated with reconciling how the market fee is reflective of the invoices AGL receives from upstream participants. Therefore, this is likely to increase the end user costs.

2. On what basis should the Electricity FRC fees be charged

AGL supports the change in FRC fee methodology from the current MWh consumption basis of recovery to a fee collected on a per connection point basis. As per AGL's previous submissions to AEMO reviews of FRC fees, we believe that connection point recovery is the most appropriate approach as it better reflects the flow of FRC benefits of competition. Connection point fee basis would also align with the collection of the Energy Consumers Australia fee.

AEMO has sought feedback as to whether there is an alternative option to the implementation date of 1 July 2019 for the connection point basis for FRC collection. AGL

believes that aligning the implementation of connection point fee with the commencement of metering competition, being December 2017, would seem a reasonable alternative.

A switch to connection fees does not necessarily require a staged implementation. However, AGL would suggest that AEMO should provide as early as possible notification to market participants of any fee structure change to ensure participants can appropriately capture fee changes into their POC system changes and budgeting.

3. Other comment and issues

AGL notes and supports the accreditation fees being charged to Embedded Network Managers and B2B e-hub participants on a cost recovery basis.

AGL also recommends that where an accredited user, who is not providing direct services in the NEM, transacts via AEMO's market systems then accredited parties should be charged a transaction fee that represents the value of using the system. This will ensure that users who decide to transact across the AEMO market systems are making a commercial decision based on the true cost of using the system compared to an off-market solution.

Should you have any questions in relation to this submission, please contact me on (03) 8633 6934 or Mark Riley, Network Strategy & Regulation Advisor, on (03) 8633 6131.

Yours sincerely,



Leilani Kuhn
Network Strategy & Regulation Manager

