

16 December 2016

Mr Jack Fitcher
Chief Financial Officer
Australian Energy Market Operator Limited
GPO Box 2008
MELBOURNE VIC 3001

Energy Networks Australia submission to the AEMO's Electricity Full Retail Competition Fee Structure Consultation Paper 2016.

Dear Mr Fitcher,

Energy Networks Australia welcomes the opportunity to make a submission to the Australian Energy Market Operator (AEMO) in response to the *Electricity Full Retail Competition Fee Structure Consultation Paper 2016* published by the AEMO on 3 November 2016.

Energy Networks Australia is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia.

Energy Networks Australia notes that market fees are currently levied on market customers with a retail licence for AEMO's Full Retail Competition (FRC) services. The National Electricity Rules (NER) guiding principles supporting this position are reflective of the 'involvement' principle, as retailers are directly involved in AEMO's execution of the services, and retailers are also the beneficiaries of AEMO's services, and the 'simplicity' principle.

It is Energy Networks Australia's strong view that FRC electricity fees should continue to be charged only to market customers. Therefore, Energy Networks Australia supports Option 1.

Energy Networks Australia does not consider AEMO's proposed Option 3 is consistent with sound cost recovery principles. The AEMO has noted numerous disadvantages of the levying of a fee on DNSPs under Option 3. These include that:

- the approach would be inconsistent with the simplicity principle, as determining a percentage cost allocation for DNSPs will be arbitrary and subject to uncertainty;
- it would result in greater complexity to administer in AEMO's systems;
- in practical terms the most likely result is for DNSPs to pass this additional cost onto retailers through network charges, with the same effect as AEMO charging retailers directly; and that
- it is not possible to capture other users of the FRC Electricity service which are not registered market participants e.g. B2B accredited parties, or embedded network managers, resulting in inequitable outcomes.

Energy Networks Australia also does not support levying a new fee on metering coordinators. The introduction of such a fee would be a barrier to entry for stand-alone metering coordinators and non-retailer aligned parties that would be offset for retailer/metering coordinator models. In addition, most retailers already have a related metering coordinator established or have exclusive dealings with a metering coordinator. Until the coming meter churn occurs, the local network service providers will be a default metering coordinator regardless of whether or not they intend to be a metering coordinator beyond the mandated transitional role.

As the AEMO notes, DNSPs and TNSPs currently provide ex gratia services to AEMO which contribute to AEMO's ability to manage power system security and perform their National Transmission Planner role and other NEM functions, for example data collection. Potentially, these ex gratia arrangements also may need to be revised to ensure cost reflectivity, equity and to employ the 'user pays' principle.

If further information is sought on this matter, please contact Ms Kate Healey, Director Regulation, on 02 6272 1516 or by email on khealey@energynetworks.com.au.

Yours sincerely,



John Bradley
Chief Executive Officer

