

Australian Energy Market Operator
GPO Box 2008
MELBOURNE VIC 3001

22nd June 2020

Submitted via e-mail to budgetandfees@aemo.com.au

Dear Sir/Madam,

AEMO Draft Budget and Fees

The Australian Energy Council (the “**Energy Council**”) welcomes the opportunity to make a submission in response to the Australian Energy Market Operator’s (“**AEMO’s**”) *2020-21 AEMO Draft Budget and Fees*.

The Energy Council is the industry body representing 24 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

Introduction

AEMO is a substantial company with statutory monopoly roles across the energy sector, having revenues in excess of \$250m p.a., with all operating and capital expenses recovered from participants. It is therefore very disappointing that participants were only afforded a six business day window for consultation on AEMO’s substantial budget, less than two weeks before the budget is to take effect. As such, there has been insufficient time for the Energy Council to undertake its normal practice of developing this input in collaboration with its membership, however several members have independently expressed private concerns to the Energy Council about the inadequate consultation period and lack of detail and justification.

AEMO’s fees are passed on to participants, with costs ultimately borne by end users. While some end user arrangements, such as those for large industrial customers, are struck well in advance, domestic consumers’ arrangements are more fluid, and retailers (and transmission & distribution network service providers) need to telegraph their tariffs at regular intervals, usually 1st July. To do so they must make preparations well before this date, and it is therefore important for retailers’ regulatory assessment processes for AEMO to propose its fees for the coming financial year with a reasonable period of notice.

There is also concern with the paucity of information which AEMO has provided to market participants to assess its \$250m budget. A 30 page document, a portion of which is a listing of its fees for the coming financial year, is inadequate to furnish the detail necessary for a meaningful assessment of AEMO’s assumptions, forecasts and contentions to be made.

Discussion

National Electricity Market Fees

The Energy Council notes that AEMO has in place a voluntary fee cap to mitigate the impact on participants of changes occurring across the National Electricity Market (“**NEM**”) in both markets and operations, however the increase of 12% remains extraordinarily high, and supports the Energy Council’s view, as expressed in its many submissions to the Australian Energy Market Commission,

that the benefits of proposed new activities need to be balanced against the substantial increases in costs which they inevitably require.

It is also noted that the increase assumes a reduction of 2.7% in NEM consumption, as a result of the economic downturn due to COVID-19. The Energy Council believes that increased residential solar generation is also contributing to the reduction, and will submit to the next fees' review that AEMO needs to consider in its fee structure that reduced demand shouldn't result in untoward increases in fees for remaining transmission-connected generation.

National Transmission Planner

The Energy Council appreciates the expanded role AEMO has been given to produce the Integrated System Plan. The Energy Council considers that National Transmission Planner costs should be recovered from transmission network service providers, and will submit to that effect in the next fees consultation. In light of networks' regulatory arrangements, this will be greatly assisted by AEMO providing a stable, long-term forecast of its costs and fees.

Gas Fees

While the modest increases (and in some cases decreases) in gas fees are noted, reporting the fees as a cost per customer supply point per month or per gigajoule provides no ready assessment of the quantum of the relevant charge, and whether it is reasonable. The Energy Council therefore recommends that, as with the remainder of the report, further detail be provided so that market participants can make a proper assessment of the variations proposed.

Independent Scrutiny

The Energy Council notes that outside the Western Australian Wholesale Electricity Market functions, AEMO's expenses are not subject to independent regulatory scrutiny. Given the large increase in costs, and the limited ability to scrutinise such increases through the current process, the Energy Council believes it would be appropriate to investigate ways to seek independent assessment.

The Energy Council intends to consider this matter further over the next few months and advise AEMO of its conclusions. Although not obliged to do so, AEMO could consider how it could voluntarily submit itself to a process similar to that which applies in Western Australia.

Conclusion

The Energy Council feels that AEMO's consultation on its 2020-21 Budget has significant shortcomings in timing and detail. As such it has been difficult to consult members, and provide meaningful feedback.

Any questions about this submission should be addressed by e-mail to Duncan.MacKinnon@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours faithfully,



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Australian Energy Council