

21 January 2021

Ms Nicola Falcon
General Manager Forecasting
Australian Energy Market Operator

Via Email: energy.forecasting@aemo.com.au

Dear Ms Falcon

RE: AEMO Draft Forecasting Approach – Electricity Demand Forecasting Methodology Consultation

The Queensland Electricity Users Network (QEUN) appreciates the opportunity to provide a consumer perspective to the Australian Energy Market Operator's Draft Forecasting Approach - Electricity Demand Forecasting Methodology Consultation.

The QEUN is a consumer advocate representing small business and residential consumers with a particular emphasis on regional consumers. We advocate for affordable and reliable electricity from a resilient national electricity system where the pace of the transition to a renewable energy future is not at the expense of the economy, jobs or reasonable living standards.

Section 2 – Business annual demand

Recommendations

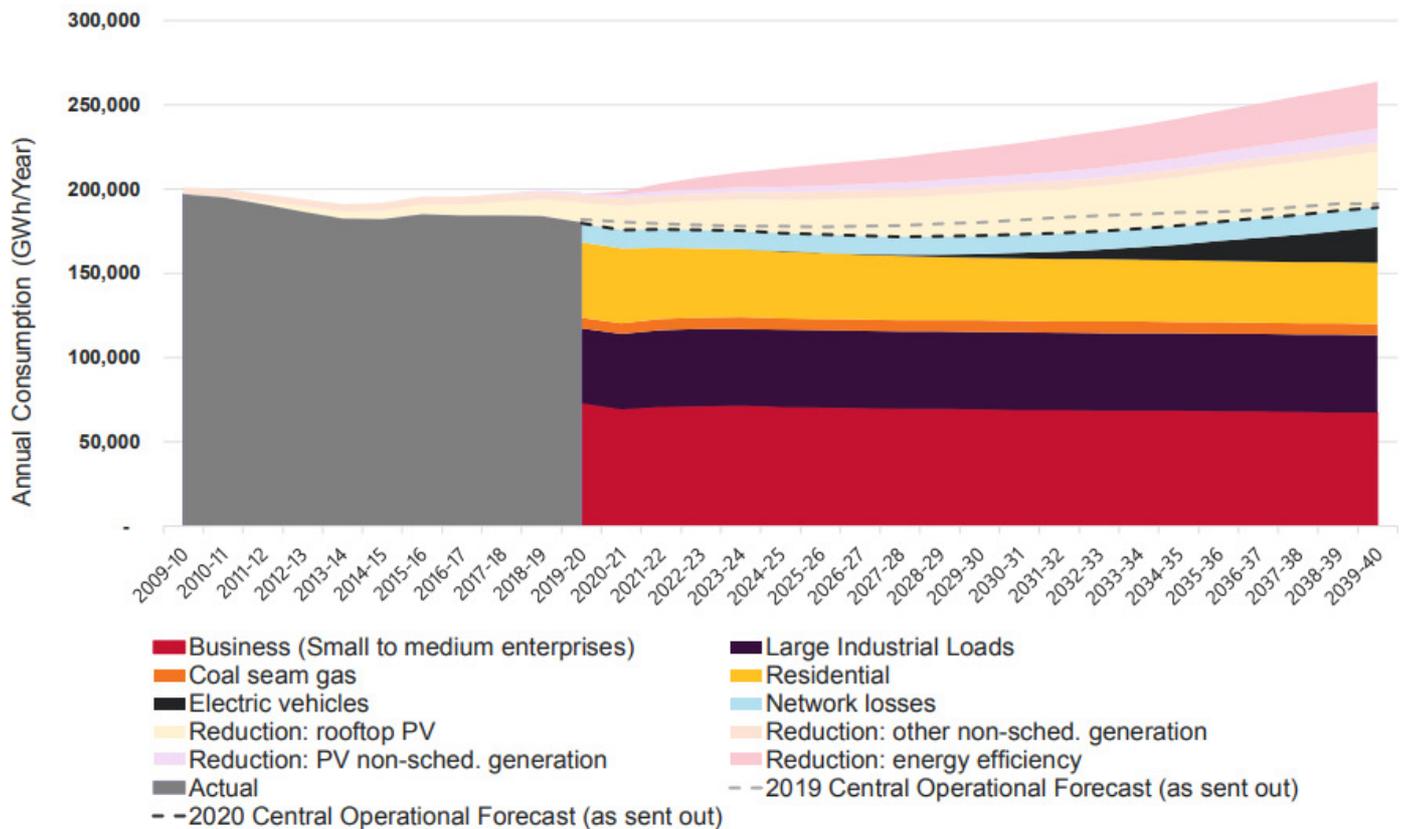
We recommend AEMO consider forecasting separately electricity demand for:

- green hydrogen production from NEM and WEM supplied electricity
- green hydrogen production from non-NEM and non-WEM supplied electricity
- blue hydrogen production from NEM and WEM supplied electricity
- blue hydrogen production from non-NEM and non-WEM supplied electricity
- hydrogen/Fuel Cell Electric Vehicles
- electric vehicle recharging from home premises
- electric vehicle recharging from business, commercial and industrial premises
- electric vehicle recharging from charging stations

In addition we strongly recommend AEMO clearly define what constitutes a small and a medium size business. At present AEMO is in a strange position whereby their forecasting team and their budget team are identifying a different class of customer as the largest customer of NEM supplied electricity.

In AEMO's Electricity Statement of Opportunities, AEMO's forecasting team identifies small to medium enterprises (SMEs) as the largest customer of NEM supplied electricity (Figure 1). However, AEMO's budget team states 57 % of demand is from large business (Figure 2). It is difficult for stakeholders to have confidence in AEMO's forecasts or budget process when AEMO's forecasting and budget teams identify a different class of customer as the largest customer.

Figure 1: NEM electricity consumption, actual and forecast, 2009-10 to 2039-40, Central scenario



Source: AEMO 2020 Electricity Statement of Opportunities, August 2020

Figure 2: Key assumptions in AEMO Budget on consumption of electricity by class of consumer

AEMO's costs represent approximately 0.2% - 0.3% of an average household electricity bill.

This equates to a cost of approximately \$4 per customer per year.*

* Key assumptions:

- 10m NEMs in the NEM of which 8.8m are households, 1.1m small businesses and 0.1m large businesses.
- 57% of consumption relates to large business, 28% to households and 15% to small business.
- Consumption of less than 10Mwh per annum is considered a household.

Source: AEMO Final 2020-21 Budget and Fees, Page 8

The failure of AEMO to agree on who constitutes the largest customer for NEM supplied electricity has a direct impact on stakeholder consultation and therefore NEM demand forecasts. It is normal to allocate resources according to the size or sensitivity of a business to demand from particular class of customer. According to AEMO’s budget team less emphasis would be placed on small business demand forecasts as the budget team state that small business only represents 15% of NEM demand/consumption.

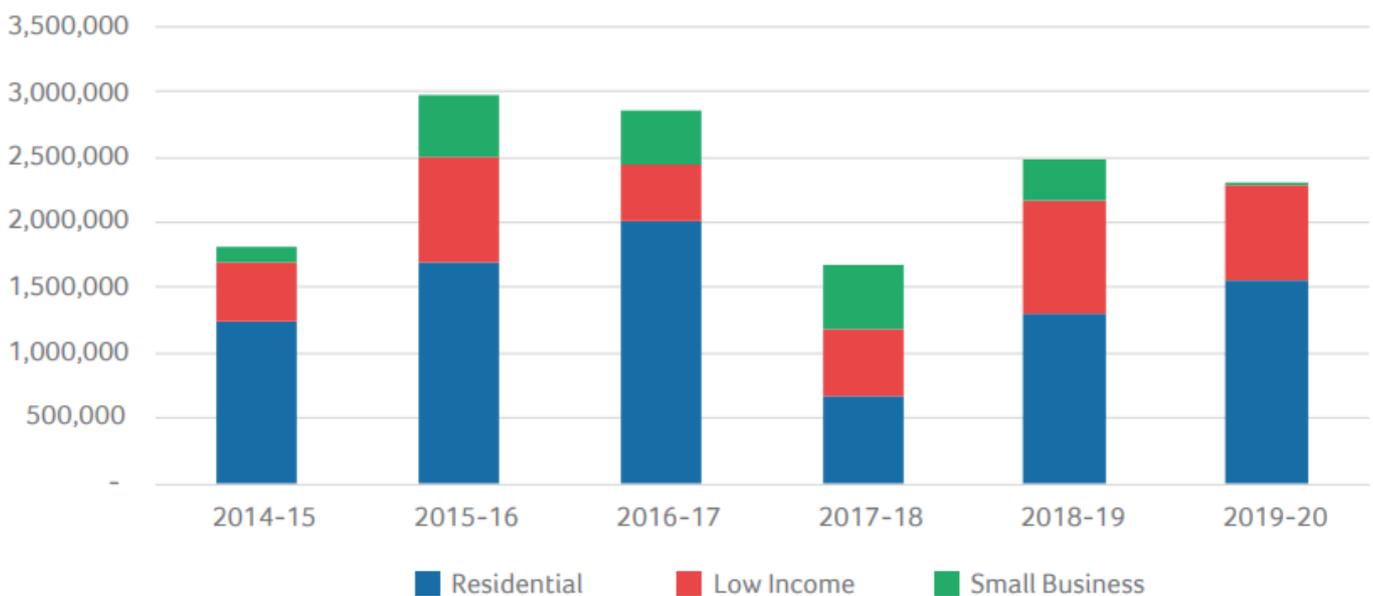
Even if small business did represent only 15 % of NEM demand/consumption, accurate demand forecasts require strong representation from all customer classes, including from smaller customer classes such as SMEs. An audit of AEMO’s consultations would demonstrate that SMEs are the least represented at AEMO consultations.

In the Issues Paper for the Forecasting Approach - Electricity Demand Forecasting Methodology Consultation it states one of the three principles for consultation is:

“Stakeholders should have as much opportunity to engage as is practicable.”

This is an admirable principle. However, the reality is SME consumer advocates do not have the financial nor human resources to adequately participate in AEMO consultations. This has significant adverse impacts on the accuracy of SME demand forecasts and consequently NEM demand forecasts. This is particularly pertinent during a global pandemic as the usual macro economics used by AEMO to measure the strength of the economy do not accurately measure SME confidence. The small business sector employs nearly 5 million Australians therefore the key to a COVID19 recovery and more accurate NEM demand forecasts is greater participation from SME consumer advocates. This is not possible due to severe funding constraints imposed by Energy Consumers Australia, as evidenced by its allocation to small business consumer advocacy and research (Figure 3).

Figure 3: Energy Consumer Australia advocacy and research funding by customer class – 2015-20



Source: Energy Consumers Australia Grants Program Annual Report Supplementary Information 2019-20

The combined financial and human resources of AEMO and the two other energy market bodies (Figure 4) plus those of retailers, networks, generators and government agencies, completely dwarf those available to energy consumer advocates (Figure 5). This means input into AEMO’s forecasting consultations is skewed towards those that can provide input and more importantly those that can substantiate their input with evidence. Stakeholders, including consumer advocates, have no say on the research program undertaken by AEMO. The research program and consultants engaged by AEMO have a strong influence on AEMO’s supply and demand forecasts.

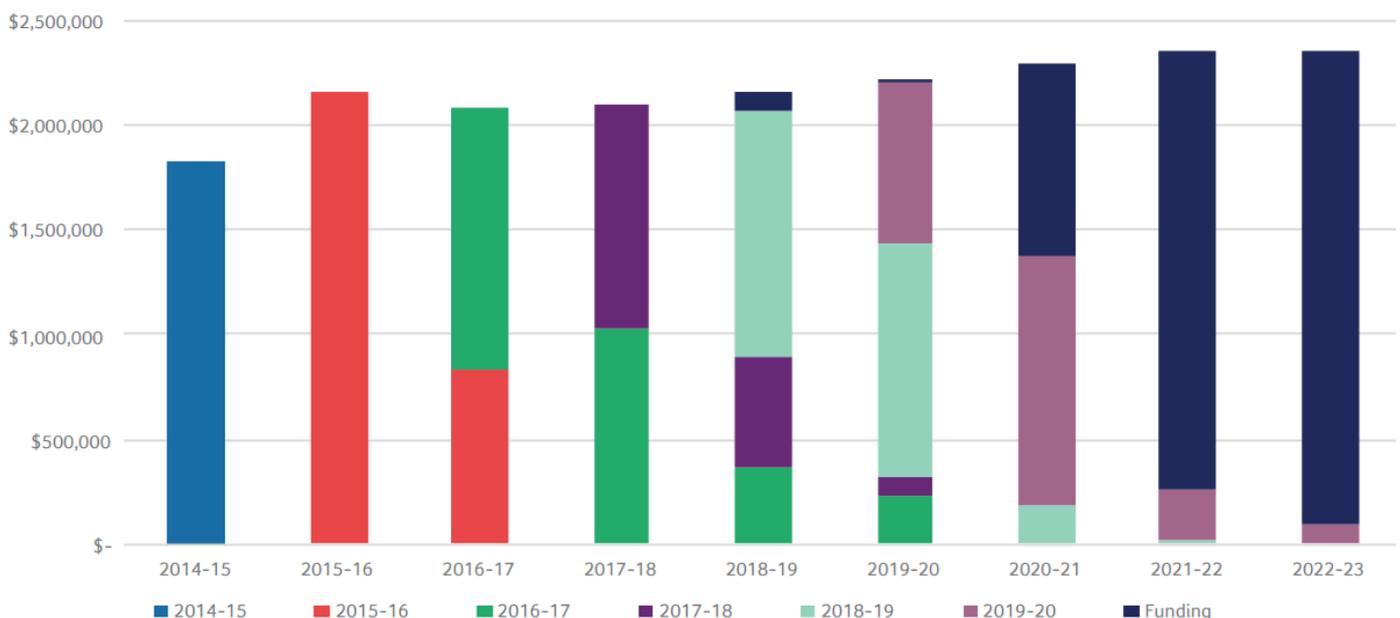
Figure 4: Financial and human resources available to energy market bodies – 2016-17 to 2018-19

RESOURCES AVAILABLE TO ENERGY MARKET BODIES	AEMC			AER			AEMO			TOTAL ENERGY MARKET BODIES		
	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17
HUMAN RESOURCES												
Staff and Board	95	94	88	253	205	149				348	299	237
In house contractors and secondment				33	31	44				33	31	44
Staff salaries over \$150,000 AEMC and over \$100,000 AER	42%	39%	31%	52%	59%	59%						
FINANCIAL RESOURCES												
Total Expenses	\$26.9	\$25.5	\$23.1	\$62.7	\$48.2	\$41.0	\$821.0	\$743.2	\$735.8	\$910.6	\$816.9	\$799.9
Employees and In house contractors	\$18.0	\$15.9	\$13.8	\$35.1	\$22.0	\$18.3	\$126.8	\$115.3	\$100.6	\$179.9	\$153.2	\$132.7
External consultants and lawyers	\$2.5	\$3.7	\$5.7	\$7.5	\$5.3	\$6.6	\$28.9	\$22.2	\$22.4	\$38.9	\$31.2	\$34.7
Travel	\$0.8	\$0.7	\$0.6	\$1.1	\$0.9	\$0.5	\$3.7	\$3.2	\$2.5	\$5.6	\$4.8	\$3.6

Note: AER staff are supplemented by legal, economic and corporate staff shared with the ACCC

Source: Compiled by QEUN from Annual Reports of the AEMC, AER and AEMO

Figure 5: Energy Consumers Australia Annual Financial advocacy and research commitments 2015-2023



Source: Energy Consumers Australia Grants Program Annual Report Supplementary Information 2019-20

We have other comments we would like to provide in relation to this consultation (eg impact of hailstorms, orphaned solar systems and home and business insurance premiums on the forecast for rooftop solar generation) however there is simply not enough 'free' human (consumer advocacy) resources to comment further. We are available to be interviewed for a verbal submission.

Adequate consumer participation in AEMO's forecasting consultations is necessary if AEMO's electricity demand forecasts are to form the basis of AEMO's Integrated System Plan – a plan which is asking consumers to pay for billions of dollars of additional transmission to meet expected demand. Low participation of consumer advocates, particularly small business consumer advocates, is an ongoing issue. We sincerely hope AEMO management either finds an internal solution to increased consumer participation or advocates to the Energy National Reform Committee (COAG Energy Council) for more financial resources for consumer advocates.

We thank you for the opportunity to provide some input into this important forecasting methodology consultation.

Yours faithfully

A handwritten signature in purple ink that reads 'Jennifer Brownie'.

Jennifer Brownie

Coordinator

Queensland Electricity Users Network