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Dear Jack

## **RE Consultation Paper – Structure of Participant Fees in AEMO’s Electricity Full Retail Competition Market**

United Energy (UE) appreciates the opportunity to respond to AEMO on the Initial Consultation Paper on the Structure of Participant Fees in AEMO’s FRC Market.

AEMO has only recently completed consultation on FRC fee structure in March 2016 and has established FRC fees be paid by retailers on a \$/MWh basis from 1 July 2016 to 30 June 2019 and on a connection point basis from 1 July 2019 to 30 June 2021. This consultation queries whether AEMO should use the trigger and change the fee structure earlier than 1 July 2019 and whether the allocation of the costs across participants groups should be changed for the 19/20 and 20/21 years.

UE recommend no change in the allocation of FRC Fees, there is no compelling need to move away from the current charging arrangements. Under the alternative allocations, retailers would eventually be charged and the on charging arrangements has the potential to increase complexity across a number of players and to ultimately cost customers more.

UE suggest no change to charging on a connection point basis pre the AEMO Final Report date of 1 July 2019.

### ***What registered participants should pay FRC Electricity fees?***

We understand from the consultation paper that AEMO are not proposing to remove the B2B AEMO operational and development costs out of the electricity FRC Fee and charge this separately. UE support this approach.

AEMO offer at least three alternatives for FRC Fee charging to registered participants:

- 100% levied on Retailers;
- Some portion also levied on MC’s;
- Some portion also levied on DNSP’s.

AEMO recognise that by continuing to charge only retailers this meets the clear and simple structure criteria, is simple for retailers to on charge to customers, simple for AEMO systems to bill and administer and consistent with the past few decades where DNSP were not charged as DNSPs or MCs/RPs. Continuing this approach best meets the NEO.

There is no compelling reason to move away from this position. As AEMO note, creating other registered participant segments to charge then creates complexity in the cost allocation to each segment and the basis for that cost allocation. This will not meet the simplicity criteria, the increased complexity adds no value.

This allocation process and the uncertainty of the costs is likely to result in higher risk pricing of these costs when they do get charged to the Retailer and is ultimately likely to cost the customer more. Given that MCs or DNSPs will eventually pass this cost onto Retailers it has the same effect as AEMO charging the Retailers directly.

AEMO state that charging upstream participants may only create complexities in billing systems with these upstream participant costs being passed downstream to retailers and ultimately the consumer. We agree with AEMO's view.

***On what basis should FRC Fees be charged?***

AEMO in its recent Final Report on the fee structure determined that fees would be collected on a per connection point basis from 1 July 2019, this approach aligns with the equivalent fees in the gas market and also the recovery of fees to cover Energy Consumer Australia's costs.

AEMO suggest that there is no reason to change this decision which will take effect on 1 July 2019. We agree.

***Staged Implementation***

AEMO query whether if there is a change to the registered participants being charged should this occur earlier than 1 July 2019. AEMO also query whether the move to connection point charging should be bought forward.

UE do not support earlier implementation, particularly where fees may be levied across other categories of registered participants who may need time to adjust contracts etc.

Should you have any questions on the response, please do not hesitate to contact me on 8846 9856.

Yours sincerely



Verity Watson