



16 December 2016

Mr Jack Fitcher
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Dear Mr Fitcher

AEMO's Electricity Full Retail Competition Fee Structure Consultation Paper 2016

Ausgrid welcomes the opportunity to make a submission in response to AEMO's *Electricity Full Retail Competition Fee Structure Consultation Paper*.

Ausgrid is of the view that Full Retail Competition (FRC) electricity fees should continue to be charged only to market customers as proposed with Option 1 (ie. 100% of levy). We consider this approach to be, on balance, most consistent with the guiding principles in the National Electricity Rules (NER) for the following reasons:

- ***It represents a clear and simple structure that is largely reflective of participants' involvement*** – retailers are the key beneficiary of FRC services, whereas distribution network service providers (DNSPs) involvement in these services is primarily incidental in nature;
- ***It is simple for AEMO to administer and simple for retailers to pass through*** – imposing fees on other participants such as DNSPs or metering coordinators (MC) is likely to be more complex for AEMO to administer and it would also be difficult to determine a percentage cost allocation that is not arbitrary; and
- ***It is consistent with the National Electricity Objective (NEO)*** – levying FRC fees on the market participant closest in the supply chain to customers is more efficient than imposing FRC fees on MCs or DNSPs. Retailers can pass fees through to end-users relatively quickly, whereas any FRC fee imposed on the DNSP or MC would need to flow through to the retailer, in addition to any fee allocated to the retailer.

Ausgrid does not support levying a new fee on MCs (Option 2), as this may create a barrier to entry. This is particularly the case for potential stand-alone MCs who would have their competitive position weakened when competing against MC businesses that are aligned with a retailer.

In addition, this approach would result in FRC fees being imposed on DNSPs, as transitional arrangements in the NER require DNSPs to be the default MC at a connection point until a meter is churned. Consequently, Option 2 would not be reflective of the participant's 'involvement' as it would capture DNSPs whose only involvement as an MC may be transitional.

In relation to Option 3 (ie. Levy fee as DNSP's), Ausgrid supports the Energy Networks Australia's view that this option is not consistent with sound cost recovery principles. We also agree with AEMO's observations regarding the disadvantages associated with adopting this approach.

If you have any queries or wish to discuss this matter in further detail please contact Murray Chandler Acting General Manager Asset Management on (02) 92697210 or via email murray.chandler@ausgrid.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Gross', with a stylized, cursive flourish at the end.

RICHARD GROSS
Chief Executive Officer