

10 March 2017

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

Structure of Participant Fees in AEMO's Electricity Full Retail Competition Market Draft Report and Determination.

Dear Mr Fitcher,

Energy Networks Australia welcomes the opportunity to make a submission to the Australian Energy Market Operator (AEMO) in response to the *Structure of Participant Fees in AEMO's Electricity Full Retail Competition Market Draft Report and Determination* published by the AEMO on 23 February 2017.

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 supports the AEMO's Draft Position that Electricity Full Retail Competition (FRC) market fees continue to be levied 100% on market customers with a retail licence. This position remains consistent with our December 2016 position in support of Option 1 identified in AEMO's November 2016 Consultation Paper on this matter.

We note that 12 of the 13 submissions received supported Option 1.

Energy Networks Australia agrees with AEMO that these arrangements are reflective of the 'involvement' principle, as retailers are directly involved in AEMO's execution of the services, and retailers are the beneficiaries of AEMO's services, and the 'simplicity' principle.

We re-iterate that network businesses do not consider that Option 3 is consistent with sound cost recovery principles. 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
- 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.

In addition, Energy Networks Australia also does not support Option 2, 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. In contrast, such fees would be offset for retailer/metering coordinator business 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.

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

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'John Bradley', written in a cursive style.

John Bradley
Chief Executive Officer

