

20 October 2014

Ms Hayley George
Australian Energy Market Operator

By email: Hayley.George@aemo.com.au

Dear Hayley

FUNDING OF ENERGY CONSUMERS AUSTRALIA (ECA)

The Major Energy Users (MEU) welcomes the opportunity to provide its views to the request for consultation on the approach to funding of Energy Consumers Australia (ECA) when it is established.

The MEU notes that AEMO refers to the ECA as being the result of a SCER decision to establish a "single national energy consumer advocacy body". AEMO goes on to state:

"...the intended role of the ECA and the proposed constitution to support residential and small business consumers..." (page 4)

Whilst this was the initial concept, the development of the ECA has been modified so that it is not only to represent the large number of small business and residential consumers of energy, the ECA is also required to continue providing grants to advocacy groups which represent the interests of other sectors of the energy markets¹.

With this in mind, the AEMO needs to ensure that its approach to acquiring funds for ECA adequately recovers the funds in a manner that ensures all energy users contribute to the advocacy undertaken on their behalf in an equitable fashion.

The MEU agrees with the AEMO observation that:

"...a recovery methodology should seek to recover costs from consumers who most directly benefit from the service being provided." (page 4)

AEMO notes that the current approach for funding consumer input into matters impacting the energy markets is through AEMO imposing a levy in

¹ See Implementation Plan Synopsis (March 2014) page 5 available at <https://scer.govspace.gov.au/files/2011/12/Energy-Consumers-Australia-Implementation-Plan-Synopsis.pdf>

- the electricity market, an amount on consumption of electricity (MWh) of usage by each consumer, and
- the gas market, an amount per connection point to the market

AEMO has noted that it considers that imposing a cost on the basis of consumption (MWh) as used for electricity imposes:

"...a disproportionate allocation of the cost to large energy consumers." (page 4)

The MEU agrees with this observation. Equally, the MEU is not convinced that the allocation of a cost per connection point would not result in allocating costs disproportionately to small consumers, recognising that some of the funds provided to ECA are likely to be allocated to large consumers through grants made by the ECA. However, the MEU notes, in other instances, equity between consumers is maintained by applying a volume related charge but with a cap (ie a maximum payment), or having somewhat different charges for different consumer segments (ie with larger customers paying a lower per MWh rate).

Whilst recent assessments of the allocation of network costs have identified that peak demand is a more equitable allocator of network costs to consumers, the MEU recognises that this methodology is probably unrealistic to apply to recovery of ECA funds, especially as the ability to measure such usage is not available for most connections to the electricity and gas markets.

The MEU also notes that there are increasing numbers of energy consumers provided with energy services by bodies authorised under the "retail exemption" from market responsibilities. This means that there are significant numbers of consumers that are being "hidden" behind the meter that AEMO "sees". These consumers will benefit from the advocacy undertaken via the ECA funding yet would not be captured under the AEMO approach of levying costs per connection point.

We therefore consider that the AEMO should examine this issue a little more deeply to ensure that equity is maximized. We urge AEMO to consider, for instance, the options listed above for a cap, or segmentation of costs

We appreciate the opportunity to have provided this input into the AEMO review. Should you wish for amplification of any of the comments provided, we would be pleased to expand on our views.

The MEU is keen to continue to be involved in this review and we request that you keep the undersigned aware of any future discussions and requests for further stakeholder involvement on this review.

Yours faithfully



David Headberry
Public Officer