



Western Australia Wholesale Electricity Market 2020-21 AEMO Final Budget and Fees

June 2020

Executive summary

AEMO operates on a cost recovery basis as a company limited by guarantee under the Corporations Act (2001). AEMO recovers all operating costs through fees paid by participants.

AEMO's annual budget sets out the amounts that will be charged under the Wholesale Electricity Market Rules, 2.22. This report provides a view of the final 2020-21 WA electricity fees, revenue and expenses.

1.1 Summary of Fees

Table 1 Summary of WEM fees

Fee	Actual 2019-20	Budget 2020-21
AEMO WEM Market Operator fee (\$/MWh)	0.362	0.380 +5%
AEMO WEM System Management fee (\$/MWh)	0.499	0.514 +3%
Total AEMO WEM fee (\$/MWh)	0.861	0.894 +4%
ERA WEM fee (\$/MWh)	0.179	0.174 -3%

1.2 Contact for inquiries

For all queries on budget and fees, please contact budgetandfees@aemo.com.au

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2. Western Australia Wholesale Electricity Market (WEM)

2.1 WEM Fees

- Purpose of this function**
- Power system security and reliability.
 - Market operations and systems.
 - Wholesale metering, settlements and prudential supervision.
 - Preparing for and implementing WA Government's WEM and Constrained Access Reforms.
 - Longer-term energy forecasting and planning services (for the South West Interconnected System of Western Australia).

Fees The current WEM fee is \$0.861/MWh.

This fee is to increase to \$0.894 (+4%) in 2020-21, lower than the prior year estimate. The increase is as a result of additional activities and complexity in the WEM including ongoing system management transition work. This increase is in line with the ERA's allowable revenue determination.

Other notes The current three-year ERA determination on [AEMO's allowable revenue and capital expenditure](#) covers the period from 1 July 2019 to 30 June 2022.

Table 2 WA WEM fees

Fee	Budget 2019-20	Budget 2020-21
AEMO WEM Market Operator fee (\$/MWh)	0.362	0.380 +5%
AEMO WEM System Management fee (\$/MWh)	0.499	0.514 +3%
AEMO WEM fee (\$/MWh)	0.861	0.894 +4%
AEMO WEM fee (indicative benchmark) * (\$/MWh)	1.722	1.788

* The fee listed above is a benchmark fee calculated by dividing the total cost of the WEM functions by the total forecast consumption. The actual fee charged to both Market Customers and Generators is \$0.380/MWh and 0.514/MWh for the Market Operations and System Management functions respectively.

2.2 WEM energy consumption

The budgeted consumption for 2020-21 is based on data estimates used in the [WA 2020 ESOO](#). Consumption is expected to decrease by 3.5% in 2020-21 due to the impact of an expected economic slowdown as a result of COVID-19, continued increases in rooftop PV, and lower industrial load forecast.

Table 3 **WEM consumption**

GWh	Budget 2019-20	Forecast* 2019-20	Budget 2020-21
Load forecast	18,221	17,665 -3.0%	17,589 -3.5%

* Forecast annual consumption at June 2020.

2.3 Revenue and Expenditure

Table 4 **Profit and Loss statement 2020-21**

	Budget 2019-20 \$'000	Budget 2020-21 \$'000	Variance	
			\$'000	%
Fees and tariffs	31,580	31,726	146	+0%
Total Revenue	31,580	31,726	146	+0%
Labour and Contractors	16,003	17,058	1,055	+7%
Consulting	3,950	2,126	(1,824)	-46%
Fees - Agency, Licence & Audit	422	326	(96)	-23%
IT & Telecommunication	2,749	2,953	203	+7%
Occupancy	1,192	1,564	372	+31%
Other Expenses	1,269	1,805	536	+42%
Depreciation & Amortisation	6,013	7,932	1,920	+32%
Total Expenditure	31,609	33,764	2,155	+7%
Surplus/(Deficit)	(30)	(2,038)	(2,009)	
Brought Forward Surplus/(Deficit)	77	5,122	5,045	
Accumulated Surplus/(Deficit)	47	3,084		

Key points for 2020-21 profit and loss

Total expenditure is \$2.2m or 7% higher in 2020-21 due to:

- Higher labour and contractor costs driven by salary increases in line with AEMO's 2018 Enterprise Agreement, additional labour required to manage complexities in the WEM and increase in activities from System Management transition into AEMO; and
- Higher depreciation and amortisation as a result of Capital projects completion expected in 2020-21 financial year.

which is partly offset by:

- Lower consultancy reflecting the cessation of the service level agreement with Western Power for the provision of system management services.

The accumulated surplus position is expected to be nil by the end of the AR5 period, in line with ERA AR5 Final Determination.

3. Economic Regulation Authority (ERA)

Purpose of this function	To ensure that WA has a fair, competitive and efficient environment for consumers and businesses.
Fees	AEMO is required to recover the funding for the ERA from WEM market customers and generators and gas shippers (i.e. pass through recovery). Total expenditure budgeted by the ERA for the WEM functions to be recovered in 2020-21 is \$6.18m (6% decrease) (2019-20: \$6.58m). The WEM ERA fee is \$0.174 per MWh in 2020-21 (3% decrease).
Other notes	For any questions on the ERA budget in 2020-21, contact Pam Herbener, Director, Corporate Services at pam.herbener@erawa.com.au

Table 5 ERA revenue requirements

ERA revenue requirement	Actual 2019-20	Budget 2020-21
WEM regulator fee (\$'000)	5,021	4,287
Rule change panel (\$'000)	1,561	1,888
Total ERA revenue requirement	6,582	6,175 -6%

Table 6 ERA WEM fee

ERA WEM fee	Actual 2019-20	Budget 2020-21
ERA WEM fee (\$/MWh)	0.179	0.174 -3%

Appendix A. Fee schedules

Table 7 Fee schedule of new WA WEM registrations

Application type	2020-21 \$
Rule Participant Registration Application Fee	1,900
Facility Registration Application Fee	3,800
Facility Transfer Application Fee	1,900
Conditional Certification of Reserved Capacity	1,164
Resubmission - Application for Early Certified Reserved Capacity	10,671
Consumption Deviation Application Reassessment Application Fee for Non-Temperature Dependent Loads and for Relevant Demand (Clause 4.26.2CC and 4.28.9B of the WEM Rules)	515

Note: Rule Participant De-registration and Facility De-registration will remain at zero.

Symbols and abbreviations

Term	Definition
AEMO	Australian Energy Market Operator
ERA	Economic Regulation Authority
MWh	Megawatt hour
WA	Western Australia
WEM	Wholesale Electricity Market