



Western Australia Wholesale Electricity Market 2022-23 AEMO Budget and Fees

June 2022

Executive summary

This document sets out the Western Australia Wholesale Electricity Market (WEM) budget and fees for 2022-23.

The Australian Energy Market Operator (AEMO) is an independent, not-for-profit public company limited by guarantee, owned jointly by energy industry members and the Commonwealth, New South Wales, Queensland, South Australian, Tasmanian, Victorian, Western Australian and Australian Capital Territory governments.

The Wholesale Electricity Market Rules (the Rules) set out the requirement that the allowable revenue and forecast capital expenditure must consist only of forecast costs that are approved by the Economic Regulation Authority (ERA). Once approved, AEMO can recover approved costs from market participants through market fees. These costs are eventually passed through to consumers. The current three-year ERA determination on AEMO’s allowable revenue and capital expenditure (AR6) covers the period from 1 July 2022 to 30 June 2025. The latest ERA determination and associated documents can be found [here](#).

A key objective during the next financial year will be the implementation of the WEM Reform and Distributed Energy Resources (DER) Roadmap activities as set out in the WA Government’s Energy Transformation Strategy. The WEM Reforms will introduce changes to the operation of the WEM and its Reserve Capacity Mechanism, including revisions to Power System Security and Reliability frameworks and the introduction of Security Constrained Economic Dispatch, facility bidding and constrained access arrangements. The DER Roadmap is a multi-year plan to better integrate DER in the South West Interconnected System and ensure DER benefits are shared across all community members.

In 2022-23, the operating expenditure requirement for AEMO is increasing by \$6 million, largely reflecting resourcing and investment costs associated with new obligations and delivery against the Energy Transformation Strategy.

AEMO is actively seeking to improve the transparency and rigour of its budget fees across all our functions and jurisdictions. During the AR6 determination process AEMO provided substantial detail within public submission and confidential information provided to ERA. Engagement and feedback was sought from stakeholders on AEMO’s forecast budget and fees and capital projects which informed ERA’s determination. AEMO and ERA intend to continue and refine this approach in future years.

This WEM 2022-23 Budget and Fees document outlines WEM fee requirements for 2022-23 including AEMO, ERA and the Energy Policy WA’s (EPWA) Coordinator or Energy’s revenue requirements.

1.1 Summary of Fees

Table 1 **Summary of WEM fees**

	Budget 2021-22	Budget 2022-23	Variance	Variance
AEMO Market fee (\$/MWh)	0.3800	0.4913	0.111	29.3%
AEMO System Operation fee (\$/MWh)	0.5140	0.6646	0.151	29.3%
ERA Regulator fee (\$/MWh)	0.1951	0.1727	-0.224	-11.5%
EPWA Coordinator fee (\$/MWh)	0.0750	0.0718	-0.003	-4.3%
Total WEM fee (\$/MWh)	1.1641	1.4004	0.2363	20.3%

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2. Australian Energy Market Operator (AEMO)

2.1 AEMO 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 the WA Government’s Energy Transformation Strategy and Market Reforms
- Longer-term energy forecasting and planning services

Revenue requirement and fees

AEMO is required to recover its revenue from Market Participants based on the meter readings (MWh) of either consumption or generation in a Trading Interval at the applicable rate for its Market and System Operation fees.

The WEM fee for AEMO’s functions is \$1.1559/MWh reflecting an increase of 29.3% in 2022-23.

Table 2 **AEMO WEM revenue requirement and Fees**

	Budget 2021-22	Budget 2022-23	Variance	Variance
Revenue Requirement (\$m)	30.8	41.9	11.1	35.9%
Consumption (GWh)	17,078	17,950	872	5.1%
AEMO WEM Fees				
AEMO Market fee (\$/MWh)	0.3800	0.4913	0.111	29.3%
AEMO System Operation fee (\$/MWh)	0.5140	0.6646	0.151	29.3%
AEMO WEM fee* (\$/MWh)	0.8940	1.1559	0.262	29.3%

* The fee listed above is a benchmark fee calculated by dividing the total cost of AEMO’s WEM functions by two times the total forecast consumption, to account for both consumption and generation. The actual fees charged to Market Participants is \$0.4913/MWh and 0.6646/MWh for the Market Operations and System Management functions respectively.

The revenue requirement and associated cost changes are further discussed within section 2.3 of this document.

Other notes

The current three-year ERA determination of AEMO’s allowable revenue and capital expenditure covers the period from 1 July 2022 to 30 June 2025.

2.2 WEM energy consumption

The budgeted consumption for 2022-23 is determined by AEMO using a short-term forecasting model reflecting expected market conditions based on actual consumption from the previous financial year¹.

2.3 Revenue and Expenditure

Table 3 Profit and Loss statement 2022-23

	WEM			
	Budget 2021-22	Budget 2022-23	Variance	
	\$'m	\$'m	\$'m	%
Fees and Tariffs	30.8	41.9	11.1	35.9%
TOTAL REVENUE	30.8	41.9	11.1	35.9%
Labour	17.9	22.6	4.7	26.4%
Consulting	1.4	1.3	(0.1)	-4.3%
IT & Telecommunications	2.0	2.4	0.3	17.1%
Occupancy	1.5	1.8	0.3	17.2%
Other Expenses	2.4	2.6	0.2	8.1%
Depreciation and Amortisation	10.6	9.7	(0.9)	-8.7%
Financing Costs	0.0	1.5	1.5	14678.5%
TOTAL OPERATING EXPENDITURE	35.8	41.8	6.0	16.9%
ANNUAL SURPLUS / (DEFICIT)	(5.0)	0.1	5.1	

Key points for 2022-23 profit and loss

2022-23 budgeted in-year surplus is \$0.1m. The revenue reflects full recovery of costs for 2022-23 year. The increase in the WEM Revenue Requirement for 2022-23 of \$11.1m reflects:

- an operating expenditure increase of \$6.0m primarily reflecting growth in activity around WEM Reform and consisting of net labour and consulting (\$4.7m) and financing costs (\$1.5m) partially offset by net reduction in other cost categories \$0.2M; and
- 2021-22 budget reflected an in-year deficit position of (\$5.0m), as a result of prior period surplus being returned. This results in revenue differential being greater than cost differential in 2022-23.

¹ The estimated consumption for 2021-22 using actual and forecast meter data is 17,835 GWh.

3. Economic Regulation Authority (ERA)

Purpose of this function	To undertake price setting, compliance monitoring and enforcement for the WEM.
Revenue Requirement	AEMO is required to recover the funding for the ERA from WEM Market Participants (i.e., pass through recovery). Total WEM revenue requirement budgeted from the ERA 2022-23 is \$6.2m (7.9% decrease) (2021-22: \$6.73m). The Regulator fee for ERA's functions is \$0.1727 per MWh in 2022-23 (11.5% decrease).
Other notes	For any questions on the ERA budget in 2022-23, contact Pam Herbener, Director, Corporate Services at pam.herbener@erawa.com.au

Table 4 **ERA revenue requirements and Fees**

	Budget 2021-22	Budget 2022-23	Variance	Variance
WEM regulator requirement (\$'000)	6,822	6,471	-351	-5.1%
Rule change panel (\$'000)	-89	-271	-182	204.5%
Total ERA revenue requirement	6,733	6,200	-533	-7.9%
ERA Regulator fee (\$/MWh)	0.1951	0.1727	-0.0224	-11.5%

4. Energy Policy WA (EPWA)

Purpose of this function	To undertake policy, market development, strategic planning and overall coordination for the Western Australian Electricity and Gas Markets, including: <ul style="list-style-type: none"> administration of the WEM Rules and market development for the WEM; and development of the Whole of System Plan.
Revenue Requirement	AEMO is required to recover revenue on behalf of the EPWA from Market Participants based on the meter readings (MWh) of either consumption or generation in a Trading Interval at the applicable rate for the Coordinator fee. The Coordinator fee for EPWA’s functions is \$0.0072 per MWh in 2022-23 (3.6% decrease).
Other notes	For any questions on the EPWA budget in 2022-23, contact Nerea Ugarte, Director, Business Support Services at nerea.ugarte@energy.wa.gov.au

Table 5 **EPWA revenue requirements and Fees**

	Budget 2021-22	Budget 2022-23	Variance	Variance
WEM Coordinator requirement (\$'000)	1,820	TBC		
Whole of System Plan (\$'000)	750	TBC		
Total EPWA revenue requirement	2,570	2,579	9	0.35%
EPWA Coordinator fee (\$/MWh)	0.0746	0.0718	-0.003	-3.7%

Appendix A. Fee schedules

Table 6 Fee schedule of WEM activities

Application type	2022-23 \$
Rule Participant Registration Application Fee	2,450
Facility Registration Application Fee	4,550
Facility Transfer Application Fee	2,450
Conditional Certification of Reserved Capacity	1,230
Resubmission - Application for Early Certified Reserved Capacity	11,250
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)	550

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
EPWA	Energy Policy WA
MWh	Megawatt hour
WA	Western Australia
WEM	Wholesale Electricity Market