



31 August 2020

Stakeholder Relations Team
Australian Energy Market Operator
GPO Box 2008
Melbourne Vic 3001

Sent by email: stakeholderrelations@aemo.com.au ;

Renewing AEMO's engagement model

The Major Energy Users is pleased to respond to the AEMO process to renew its stakeholder engagement model.

About the MEU

The MEU was established by very large energy using firms to represent their interests in the energy markets. With regard to all of the energy supplies they need to continue their operations and so supply to their customers, MEU members are vitally interested in four key aspects – the cost of the energy supplies, the reliability of delivery for those supplies, the quality of the delivered supplies and the long term security for the continuation of those supplies.

Many of the MEU members, being regionally based, are heavily dependent on local staff, suppliers of hardware and services, and have an obligation to represent the views of these local suppliers. With this in mind, the members of the MEU require their views to not only represent the views of large energy users, but also those interests of smaller power and gas users, and even at the residences used by their workforces that live in the regions where the members operate.

It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumers for over 20 years and it has a high recognition as providing informed comment on energy issues from a consumer viewpoint with various regulators (ACCC, AEMO, AEMC, AER and regional regulators) and with governments.

The MEU has been and still is an active member of many AEMO (and before that VENCORP and NEMMCO) forums over the years and recognises the value of these as a tool for AEMO engagement with energy markets stakeholders. The MEU

2-3 Parkhaven Court, Healesville, Victoria, 3777

ABN 71 278 859 567

www.meu.asn.au

appreciates that AEMO is seeking to improve its engagement with all stakeholders but particularly with consumers who are the focus of the NEO and the NGO.

MEU involvement in AEMO forums and other issues

The MEU is currently an active participant in a number of AEMO standing stakeholder consultation forums, including:

-) Consumer forum
-) DER working groups
-) Forecasting reference group
-) Gas wholesale consultative forum
-) National gas emergency response advisory group
-) NEM emergency management forum (associated with NGERAC)
-) NEM wholesale consultative forum

In addition, the MEU has contributed to the forums developed for

-) Integrated system plan
-) Renewable energy zones
-) Western Vic RIT-T
-) VNI-West RIT-T
-) MTPASA review

The MEU attends these forums representing the interests of consumers. Typically, the time devoted to AEMO forums including preparation might total 15-25 hours each month – effectively an annual commitment of one person for 10-15% of their working time. The MEU notes that it could provide input to more of the AEMO forums but has to balance the time commitment against other demands for consumer advocacy.

The MEU attends these meetings where it sees there is value in doing so. It does not attend many of the other AEMO forums as it sees that the value in doing so is less than the value of the time commitment required to provide useful input to the AEMO processes.

In addition to the time commitment to AEMO forums, the MEU also devotes considerable time to preparing formal submissions to AEMO requests for input to their various formal consultations.

While consumer advocates do devote time and resources to respond to AEMO stakeholder engagement, we also see that the costs AEMO causes to be added to consumer bills are quite excessive. With this in mind, the MEU is concerned that the structure that AEMO looks to implement for its stakeholder engagement should not lead to unnecessary cost increases. At the same time, we see that AEMO needs to include in its costs, appropriate reimbursement for the time commitment that the

consumer advocates dedicate to AEMO stakeholder engagement. In this regard, we point out that all consumers benefit from the contributions that consumer advocates provide, yet most consumer advocates rely on funding from relatively few consumers to provide the bulk of their input. As AEMO fees are recovered from every consumer of gas and electricity, it is appropriate that this ability should be used to eliminate the “free rider” issue that besets consumer advocacy in energy markets.

MEU observations about AEMO forums

As a standout issue, with almost all AEMO forums, the number of consumer advocates represented is very small in proportion to the numbers of attendees from supply side entities. The MEU points out that this is a combination of a number of elements, but specifically it reflects that consumer involvement is poorly funded, that many consumer advocates attend the forums in their own time and are not recompensed for the time they do commit. A related issue is that, as much of the AEMO consultation can be quite technically intense, there are relatively few consumer advocates with the requisite technical background to provide informed inputs to AEMO deliberations.

Associated with this standout issue, consumer advocates have a broad spectrum of knowledge with some having significant knowledge on certain issues while others virtually have none. Compounding this, there is a wide spectrum of consumer interests and drivers so that one consumer advocate cannot adequately represent all consumers – this means that multiple consumer advocates are needed to provide coverage of all consumer interests. Further, consumer advocates have to cover a wider range of issues that arise in both the gas and electricity markets, such as AER revenue resets, ESB wholesale market design, operational guidelines, ACCC competition issues, AEMC rule changes (network, operational, market design, etc), reviews initiated by AER, ACCC, AEMC, ESB, governments, etc which further dilutes their ability to be active and informed contributors in the AEMO forums.

In contrast, advocates for of the groupings of supply side entities have a very clear focus on what will advantage their constituents and the firms they work for, and have a very clear understanding of the technical issues that they consider need to be addressed to achieve the goals their constituents see will advantage them.

These supply side advocates tend to be either paid employees or consultants to the supply side firms and so have much lesser funding constraints compared to advocates for consumers. As noted above, funding of consumer advocacy is heavily constrained.

There are other issues that the MEU has with AEMO forums, including

-) There is a general view that AEMO runs their engagement practices as a method to get support for its views on issues, and to be seen to be engaging with stakeholders.
-) Whilst improving in recent weeks, AEMO tends to operate its forums in the IAP2 “inform” range allowing limited time for stakeholder input. AEMO not only needs

to listen more to stakeholders but also actually implement the input that is being provided. Too often the stakeholder input into the AEMO forums appears to be disregarded. More time for discussion is required and evidence provided that stakeholder input has been incorporated into the final decision

-) Providing written submission is extremely time consuming and AEMO should implement a process where oral input at forums can have the same status as written responses
-) There are too many attendees that "attend" the forums but provide little or no input. This results in AEMO setting up forums where mechanisms are structured that limits the free flow of input from stakeholders that can and do provide valuable input.
-) Better coordination is required of meeting times with other market bodies such as AEMC, ESB, AER and governments to minimise the "clashes" that effectively limit stakeholder (especially consumer) attendance
-) The MEU agrees with the current process that for "standing" forums (eg GWCF, NEMCF, NGERAC/NEMEMF, etc) if there is nothing to discuss, that the forum is cancelled.
-) There is considerable benefit from the "cross-pollination" of ideas and concepts that occurs between many of the existing forums, so that learning in one forum provides ideas for another forum. It is important that this cross-pollination is not lost in restructuring the forums.
-) It is important that forums do not lose their "corporate history" which can lead a forum to "reinvent the wheel" and re-prosecute issues that have already been addressed at length in the past. A method must be incorporated so that this history is made available to assist in reaching resolution.

The MEU considers that unless these issues are addressed (including that attitudes and approaches are changed), implementation of a changed structure will achieve little and will effectively be "window dressing".

The purpose of the forums

Then MEU points out that AEMO has the responsibility to operate the gas and electricity markets. It created the current range of forums to assist AEMO to provide:

-) Input into its deliberations on how to achieve the best operational outcomes for the gas and electricity markets, basically to deliver to the requirements of the NEO and the NGO (ie in the long-term interests of consumers). To get to this point, AEMO seeks advice and input from other interested parties (generators, producers, retailers and networks), but ultimately it is AEMO's responsibility to deliver against the requirements of the NEO and NGO
-) Information about the operations of the gas and electricity markets so that stakeholders can understand how the markets operate, the impacts of changes that are occurring and potential solutions to changes that occur.

-) Advice to governments, regulators and rule makers about the difficulties being faced in the operation of the markets, the changes that are occurring in them and potential solutions that would ensure that the NEO and NGO are met

The MEU considers that any restructure of the forums must not reduce the responsibilities that AEMO has in regard to the operation of the gas and electricity markets.

The MEU also notes that within the existing working group structure, AEMO has groups which already cross strategic, transient and functional roles. The value in this is that there is considerable "cross-pollination" of ideas and this has led to overall better outcomes. Any restructure should not eliminate this essential element in maximising the benefit of these forums.

Options proposed

AEMO has posited three basic options for structuring its forums

1. Continue as now, presumably with some rationalisation of forums
2. Align the existing forums into four work streams – operations, planning, markets and WA with working groups structured to address objectives within strategic, transient and functional activities
3. Similar to option 2 but with an overseeing senior roundtable providing strategic advice and with executive panels inserted between the senior roundtable and the working groups

In analysing the options, the MEU points out that the forums have a primary role in providing input to AEMO so that it can carry out its obligations and responsibilities more effectively. The forums are also useful in providing information to stakeholders so they can carry out their activities better and to provide advice to AEMO about problems they are facing and/or improvements that can be made to AEMO activities to make the markets more efficient.

While the MEU sees that having increased information sharing, greater participation and potentially improved stakeholder oversight will be beneficial, the MEU points out that the AEMO working groups is where the main value of engagement AEMO currently and will continue to benefit from. The MEU considers that AEMO must maintain (preferably increasing) the value provided by these working groups and that any other structural changes must not decrease the value these working groups provide.

The MEU considers that none of the options proposed meets all of the criteria that it considers are needed to make the AEMO stakeholder interaction more valuable to AEMO and to energy market stakeholders.

The MEU preferred approach to AEMO engagement structure

The MEU preferred approach is a combination of elements from the three options proposed.

The CEO forum

The MEU sees value in there being a CEO roundtable both as a forum for AEMO to inform the market and as a forum for providing high level input of the major issues stakeholders see AEMO needs to address. The membership of this forum should include market participants but must also have senior officials of consumer advocacy bodies and investors as part of the make-up.

As noted earlier, the issue of membership is vexed as there is a large range of different stakeholders with an interest in the energy markets. To accommodate this, the CEO roundtable should allow only one representative from each of the stakeholder organisations, but even so it will still have a large membership. With such a potentially extensive range of stakeholders that could/should be part of the roundtable, the MEU is of the view that membership needs to be limited to some extent but equally the MEU does not consider that membership of the roundtable should be by a nomination/election process. To balance these competing goals, the MEU considers that membership should be from organisations that provide significant input into AEMO stakeholder engagement through the working groups that are operating but with flexibility to allow others to be a part.

It must be stressed that the MEU does not consider that the CEO roundtable should be an avenue for AEMO to just “inform” or to “push AEMO views” but must be structured so that there can be a free flow and exchange in ideas and that participants can see that AEMO subsequent actions reflect the views expressed at the roundtable.

A consumer forum

A separate but also high-level forum should be provided for consumers only, similar to the current Consumer Forum. The MEU sees this as important due to the wide levels of understanding of the markets and this forum would enable the advocates with less knowledge and understanding of the markets to receive the learning necessary to be able to actively participate in the CEO forum.

The executive panels

The MEU is not convinced for the need for any of the four executive panels noting that that the focus of these panels is “market and system design, operational trends and challenges”. These are issues that can be addressed in the CEO forum at a high level, will be addressed in other forums (eg by AEMC

and rule change processes, ESB and market design, AER and guidelines, etc) and more likely in detail in the working groups.

As there are no terms of reference provided for the executive panels, it is not clear what the executive panels would be responsible for, recognising that AEMO has the core function to operate the gas and electricity markets and to disseminate information. The MEU sees that the focus of the panels would be to give input into improvement of AEMO operations, but this is what the working groups are intended to do so it is unclear what the executive panel role is.

Would these executive panels determine what the working groups do? The real risk of having such an intermediary step providing "high level strategy and industry prioritisation" is that membership will not be adequately representative of all stakeholders or that the members will be necessarily fully conversant of the needs of all stakeholders.

The size (12 members including "market participants, investors and consumer representatives") will provide a barrier to participation of many very interested stakeholders. Such a forum would each need to reflect the interests of synchronous generators, renewable generators (reflecting that each have their own unique challenges and needs), storage facilities, transmission and distribution networks (which each have different drivers), retailers (first tier and second tier with their different focusses), investors (synchronous generation, renewable generation, storage facilities and networks), prosumers, consumers (large business, medium business, small business, residential and disadvantaged residential) and potentially governments from each of the NEM states, noting that governments are becoming increasingly involved in the reliability for electricity and gas supplies. Any of these stakeholders with their different focuses could be rightly aggrieved if not included as a member.

The risk of the executive panels is that their actions will remove some of the responsibility of AEMO to provide operations of the gas and electricity markets that achieve the requirements of the NEO and NGO.

Overall, the MEU does not consider that there is a need for the executive panels and their inclusion could result in a detriment through moving responsibility from AEMO in the execution of its tasks.

The working groups

The MEU sees that the working groups exist to assist AEMO improve its practices and are not an end in themselves; they are the core elements of the AEMO stakeholder engagement and, for over a decade, they have been reasonably fulfilling their purpose to assist in ensuring AEMO is as efficient in its operations as possible.

The MEU considers that there needs to be some rationalisation of the working groups and that those that no longer serve a purpose should be discontinued (these predominantly would be the "transient" working groups created for a specific purpose and then disbanded when the task is completed). While there is some value in commonality of membership between strategic and functional working groups, grouping under these broad headings has value.

Membership of the working groups should be reasonably open but AEMO should be active in ensuring that there are members in each working group that AEMO is confident will provide active input into the deliberations of the working group.

In summary, the MEU considers that the restructure of the forums should comprise

1. The CEO roundtable as proposed in the AEMO consultation paper but modified as noted above
2. There is no need for the executive panels
3. Continuation of the consumer forum with its focus of both inform and seeking feedback on issues
4. Working groups should be created into a matrix of operations/planning/retail and strategic/transient/functional, each with open membership but with AEMO seeking specific people with appropriate skills to be a member.
5. Consumer advocates should be paid sitting fees by AEMO for the time they dedicate to AEMO forums including preparation time for each meeting. The MEU does see that this process might be open to exploitation and recognises that there will need to be a mechanism implemented to ensure that such exploitation does not occur

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. If so, please contact the undersigned at davidheadberry@bigpond.com or (03) 5962 3225

Yours faithfully



David Headberry
Public Officer