

Mr Tony Chappel
Chief External Affairs Officer
Australian Energy Market Operator

Via Email: stakeholderrelations@aemo.com.au

2 September 2020

Dear Mr Chappel

RE: Submission on Renewing AEMO's Engagement Model

The Queensland Electricity Users Network (QEUN) appreciates the opportunity to provide a consumer perspective on renewing AEMO's engagement model.

The QEUN is a consumer advocate representing small business and residential consumers with a particular emphasis on regional consumers. We advocate for affordable and reliable electricity from a resilient national electricity system where the pace of the transition to a renewable energy future is not at the expense of the economy, jobs or reasonable living standards.

The QEUN acknowledges that it is consumers that pay for the national electricity system through their electricity bills. Therefore it is critical that consumers have a strong and *informed* voice in the planning of the future national electricity system. As a consumer advocate QEUN prioritises countless hours every month to participate in AEMO's consultations as well as providing written submission and email responses.

The vast majority of QEUN's input to AEMO has been provided with zero funding. The voice of all energy consumer advocates will be diminished, or in QEUN's case extinguished, if the funding issue continues to be ignored by AEMO and the National Cabinet Reform Committee for Energy/COAG Energy Council.

A lack of *informed* consumer input will have serious consequences for the planning of national electricity system. More importantly it will adversely impact on Australia's COVID19 recovery. Even before COVID19, the National Electricity Market (NEM) was experiencing falling demand for NEM supplied electricity and an increasing number of negative trading intervals. A negative trading interval means retailers are being paid to consume electricity instead of paying for electricity. If the NEM continues to experience a growing number of negative trading intervals (especially in Queensland - the reserve supply for the NEM), this is not in the long term interest of consumers. Consumers can only access affordable, reliable and secure electricity if the national electricity system is comprised of viable generators, networks and retailers.

Consumer recommended *non*-network solutions are being ignored by AEMO in favour of an engineering solution which will see the construction of up to \$30 billion more in transmission infrastructure ie more transmission when prior to COVID19 existing transmission networks were already experiencing falling utilisation levels. More transmission means the transmission component of power bills will rise. The RIT-T process used to apportion the cost benefit of new transmission is penalising consumers for the locational decisions of new generation; the RIT-T process needs to be more closely scrutinised to identify who really is the beneficiary of new transmission.

Electricity bills are also increasing as AEMO intends to charge more to plan, manage and operate the national transmission system and the NEM ie a 12% increase in 2019-20 followed by a 12% increase each year for 3 years.

A viable national power system is possible if consumers have a strong and *informed* voice and are able to bring evidence based solutions to all of AEMO's consultations. This requires funding for consumer advocacy and research, funding which currently pales into insignificance compared to the financial resources available to other stakeholders such as generators, networks, retailers and government controlled or funded entities such as AEMO, the Australian Energy Regulator, the Australian Energy Market Commission and the Energy Security Board. Energy consumer advocates need an equal voice at the energy policy table.

Continued lack of transparency on AEMO's current expenditure on stakeholder engagement

Submissions from QEUN, the Australian Energy Council and Energy Networks Australia were highly critical of the lack of transparency in AEMO's \$250 million Draft 2020-21 Budget.

AEMO's Draft 2020-21 Budget proposed an increase in NEM fees of 12%. AEMO provided scant detail on the areas driving their proposed double digit increase, did not provide an opportunity for formal stakeholder consultation and gave stakeholders 6 business days to respond to their draft budget. Two months on AEMO have failed to respond to a question on what we believe is a false and misleading key assumption in their draft budget ie at 57% *large* business is the largest consumer of NEM supplied electricity. This contradicts forecasts in AEMO's Electricity Statement of Opportunities.

It is highly disappointing that AEMO has chosen to publish a consultation paper on renewing their engagement model without an estimate of the costs incurred for each of the three engagement models. This is despite AEMO identifying in their Final 2020-21 Budget that "*increased stakeholder engagement and reporting requirements*" was one of the three areas driving the 9% increase in the Final 2020-21 NEM fees.

Before an engagement model is adopted by AEMO, stakeholders should be provided with an opportunity to comment on a detailed budget of each engagement model; the budget should contain projected costs for 2020-21 and an estimate for the next two financial years. The budget should also include information on the number of staff employed in the stakeholder relations team and an organisational chart.

Transparency on AEMO's expenditure on the Integrated System Plan and National Transmission Planner

The seminal planning document for AEMO is the Integrated System Plan (ISP). The ISP is dependent on supply and demand forecasts contained in the Electricity Statement of Opportunities (ESOO) and Gas Statement of Opportunities (GSOO). The ESOO and GSOO are in turn dependent on working groups such as the Forecasting Reference Group, NEM Wholesale Consultative Forum and Gas Wholesale Consultative Forum. It is therefore imperative that these working groups and specific ISP forums are able to function in a manner which enables maximum participation and input from a wide range of *informed* stakeholders.

AEMO's Final 2020-21 Budget states:

"National Transmission Planner fees are increasing as a result of AEMO's expanded role to deliver an actionable Integrated System Plan. The costs associated with the development of the first actionable ISP will continue to be reviewed and refined."

The participation of *informed* consumer advocates in the first actionable ISP released on 30 July 2020 was partially constrained by financial resources. AEMO refused to financially support consumer participation in ISP workshops held in capital cities. AEMO stated that their Constitution did not allow them to pay for travel and accommodation expenses for consumer advocates.

We understand AEMO will invoice transmission networks for the cost of the 2020 ISP in 2020-21. The amount invoiced is based on the consumption from each individual transmission network; Queensland alone expects an AEMO invoice of least \$10 million for National Transmission Plan and the 2020 ISP.

In the interest of transparency and balanced stakeholder consultation we request AEMO publicly report:

- the costs invoiced to individual transmission networks for the National Transmission Plan
- the costs invoiced to individual transmission networks for the 2020 ISP
- an audit of stakeholders participation (generators, networks, retailers, consumers, government, market bodies and other) in the 2020 ISP ie a log of verbal and written communications between AEMO and each group of stakeholders. The audit should specify whether the consumer advocate predominately represents residential, small business or large business.
- an estimate of the costs that will be invoiced to individual transmission networks for the 2022 ISP and the National Transmission Plan

Clarity on the role and funding of the ISP Panel

AEMO in Appendix 2 of the Draft 2020 ISP released in December 2019 announced the establishment of an ISP Consumer Reference Group (ISP CRG). Nominations for the ISP CRG were supposed to be called in December 2019 with the ISP CRG operational in April 2020. This initiative and timeline would have allowed consumer advocates to equitably participate in the 2020 ISP. Instead AEMO's initiative was overtaken by the COAG Energy Council amending the national electricity rules to establish the ISP Panel. We are still none the wiser on the role of the ISP Panel ie how it will operate, who will be eligible and most importantly how it will be funded.

Engagement with AEMO management

We believe AEMO management is reluctant to engage directly with stakeholders at a working group level (eg Consumer Forum, Forecasting Reference Group, NEM Wholesale Consultative Forum). In general we find AEMO is reluctant to increase its engagement with the largest consumers of NEM supplied electricity – small business. This belief is premised by the lack of engagement with key management staff over a four year period and our correspondence to the CEO being answered by staff. We have not had an opportunity to meet with the AEMO Board.

Our experience with AEMO's management is completely different to our experience with Energy Queensland's 2020-25 Ergon and Energex Network Determinations. The management of Energy Queensland took a hands on role, fully participating in network determination forums. The Energy Queensland board also took the time to meet with consumers and consumer advocates.

The open dialogue fostered with Energy Queensland management over a 2 year period has assisted us to continue to work cooperatively post the finalisation of the network determinations. The Queensland distribution networks are facing falling utilisation levels and rising peak demand, similar to the Queensland transmission system. We hope our experience with Energy Queensland will be emulated by Powerlink for its 2023-2027 Determination. To date Powerlink have shown a willingness to broaden their engagement to include regionally based consumer advocates (rather than confine their engagement to advocates based in capital cities). The management and board of the Australian Energy Regulator have also embraced wider consultation with regionally based consumer advocates.

Australia is officially in an economic recession. The regional industries of mining and agriculture are preventing Australia from sliding into an economic depression. For NEM supplied electricity to be affordable it is critical Australia's reverses the falling demand for NEM supplied electricity and subsequently AEMO's services. This means AEMO management must understand what is happening in agriculture, mining and most importantly what is happening to the viability of their largest customer – small business.

Maintaining and growing small business demand is also important for residential demand. Small business employs nearly 5 million people; the income received from their jobs allows millions of Australians to pay their home power bills. AEMO management and AEMO in general need to better understand the financial stresses being faced by 'middle' Australian households.

The level of budget stress being experienced by middle Australian households has major implications for the uptake of Distributed Energy Resources and the maintenance and repair of rooftop solar systems. High levels of budget stress will impact on the uptake of electric vehicles. Both uptakes can materially change the supply and demand forecasts in the ESOO and GSOO which could change the actionable projects in the ISP.

We recommend AEMO management participate in Q&A sessions with existing working groups on a regular basis. The Australian Energy Market Commission holds a biannual consumer forum which incorporates an open Q&A session with Commissioners and the Chair of the AEMC. Until last month it also allowed a consumer advocate from each jurisdiction to provide a jurisdictional update – this was useful for the AEMC and consumer advocates keen to understand the issues in other states.

The problem is the way AEMO consultation is conducted

For the most part, other than AEMO management holding Q&A sessions with working groups on a set timeline, the current model of engagement (Option 1) is fit for purpose.

The main issue is not the model of engagement but the way in which AEMO's consultations are being conducted ie talking 'at' stakeholders and insufficient time for a two-way robust discussion. Current forums are 'controlled' which limits the ability of participants to provide recommendations that would allow AEMO to operate a more efficient and low cost transmission system and National Electricity Market.

There is one AEMO working group that after a frustratingly long hiatus between forums has come back invigorated and stakeholder friendly.

What is good about the NEM Wholesale Consultative Forum?

- Smallish group of *informed* stakeholders
- Wide range of participants which include the supply chain, consumer advocates and AEMO specialists – free flowing cross pollination of information, ideas and solutions
- Uses the chat function on Webex (ie not Slido) to ask questions or post comments – this allows all participants to follow the presentation and read the comments and questions without the distraction of bouncing between the Slido tab and the Webex tab
- Slido 'voting' allows a particular group of stakeholders to gain multiple 'likes' propelling their question to the top – this means minority stakeholders don't get their questions answered
- Webex chat function allows all participants to chat to each other ie not just a participant to the 'host and /or panellists'
- Webex chat function allows questions and comments to be posted as the issue is being discussed ie as you go along rather than at the end of a presentation – promotes cross pollination and good questions at the end of the presentation
- Webex chat allows all participants to know who is participating in the NEMWCF - this promotes free flowing discussion rather than each speaker introducing themselves and their company
- Participants are not muted by AEMO – this works if all participants are able to self mute their internet or telephone connection – the ability to self mute should be a condition of participation

- Presentations are generally emailed in advance allowing participants to follow via phone if the internet connection is disrupted and to read and research subject matter prior to the forum
- Well facilitated which means discussion is respectful and no one hogs the floor

When would AEMO use a different format to the NEMWCF?

- When there is a large diverse group of participants with varying levels of subject knowledge
- Slido voting works for large diverse forums where participants are generally not known to each other and the presentations are more general in nature ie the nitty gritty is usually discussed in working groups where subject knowledge is a given

Increasing the number of *informed* stakeholders

We commend AEMO for running their first *knowledge sharing session* for consumer advocates and committing to running more sessions in the future.

AEMO surveyed consumers and consumers wanted to know more about inverters. This is topical for consumers as AEMO is seeking the right to turn off consumer owned rooftop solar in order to maintain a secure electricity system.

It is possible that some topics discussed at AEMO's knowledge sharing sessions could be of interest to other stakeholders. Maybe the knowledge sharing presentations could be mentioned at other consultative forums.

Summary

A viable national electricity system is possible if AEMO and the National Cabinet Reform Committee for Energy (COAG Energy Council) is open and transparent and actively seeks and promotes balanced and informed stakeholder input.

Balanced stakeholder input can only be achieved if AEMO and the National Cabinet Reform Committee address the elephant in the room – funding for consumer advocacy and research.

Without a greater understanding of demand, particularly demand from small business and key regional industries such as agriculture and mining, Australia's economic recovery from COVID19 will be long, slow and painful.

Powerlink stated in its *pre-COVID 2019* Transmission Annual Planning Report:

“based on the medium economic outlook, Queensland's delivered energy consumption is forecast to decrease at an average of 0.7% per annum over the next 10 years from 48,886 GWh in 2018-19 to 45,421GWh in 2028-29’.

The Powerlink forecast represents a fall of 7% over 10 years under a *pre-COVID19* medium growth outlook and 14% over 10 years (42,261 GWh) under a *pre-COVID19* low growth outlook (see Table 1 and 2).

The QEUN is committed to working collaboratively with AEMO, Powerlink and Energy Queensland to increase network utilisation levels, decrease rising peak demand and incentivise load during periods of minimum demand. This will lower power bills and maintain a reliable and secure national electricity system.

However, without an immediate injection of adequate and equitable funding for consumer advocacy the voice and input of consumer advocates (particularly small business and regional advocates) will be diminished, or in QEUN's case extinguished.

Note

To fund consumer advocacy and research the QEUN is proposing that the levy collected by AEMO on behalf of the charity Energy Consumers Australia from around 10 million points of connection to the National Electricity Market is doubled from about 1 cent per week to 2 cents per week ie a total of **\$1.04 per year** per point of connection to the NEM.

COAG Energy Council established Energy Consumers Australia (ECA) in 2015.

The Review of Energy Consumers Australia report delivered to COAG Energy Council in March 2019 stated:

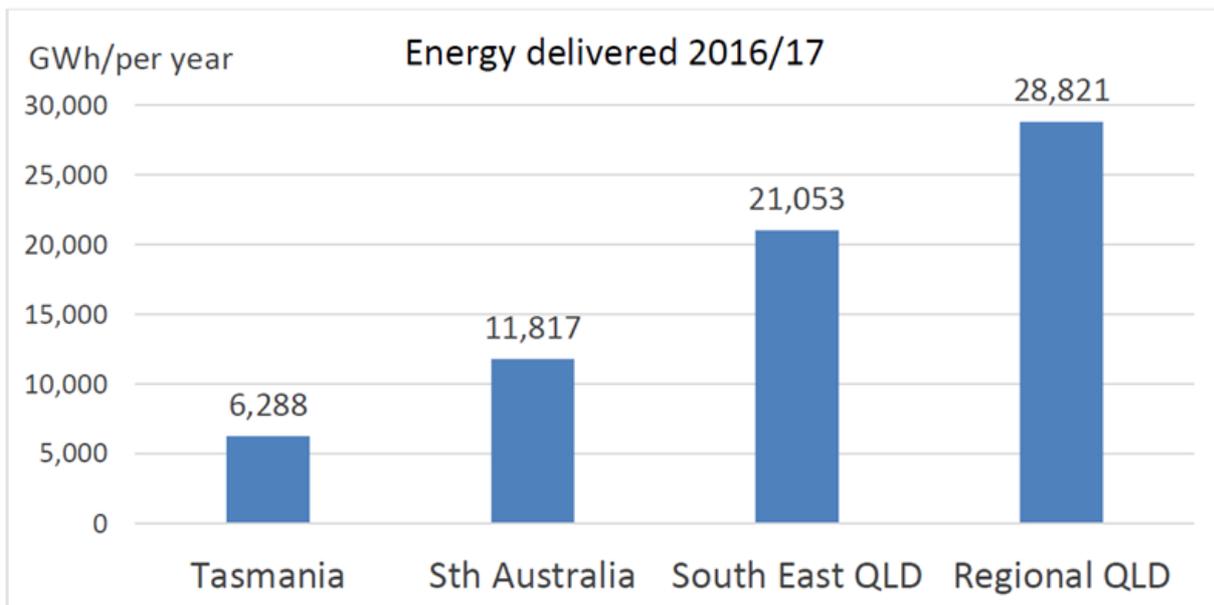
“While ECA has not conducted analysis to assess the adequacy of grant funding, senior management rejected the suggestion that the available funding be increased, citing the cost to consumers of further increasing funding levies.”

The Queensland Competition Authority states that the typical small business power bill on the main small business tariff in regional Queensland (Tariff 20) is **\$2,263 per year** and the typical residential power bill on the main residential tariff in regional Queensland (Tariff 11) is **\$1,336 per year**.

The QEUN’s proposed increase in the AEMO levy collected on behalf of the charity Energy Consumers Australia represents **0.0002%** of a small business power bill and **0.0004%** of a residential power bill.

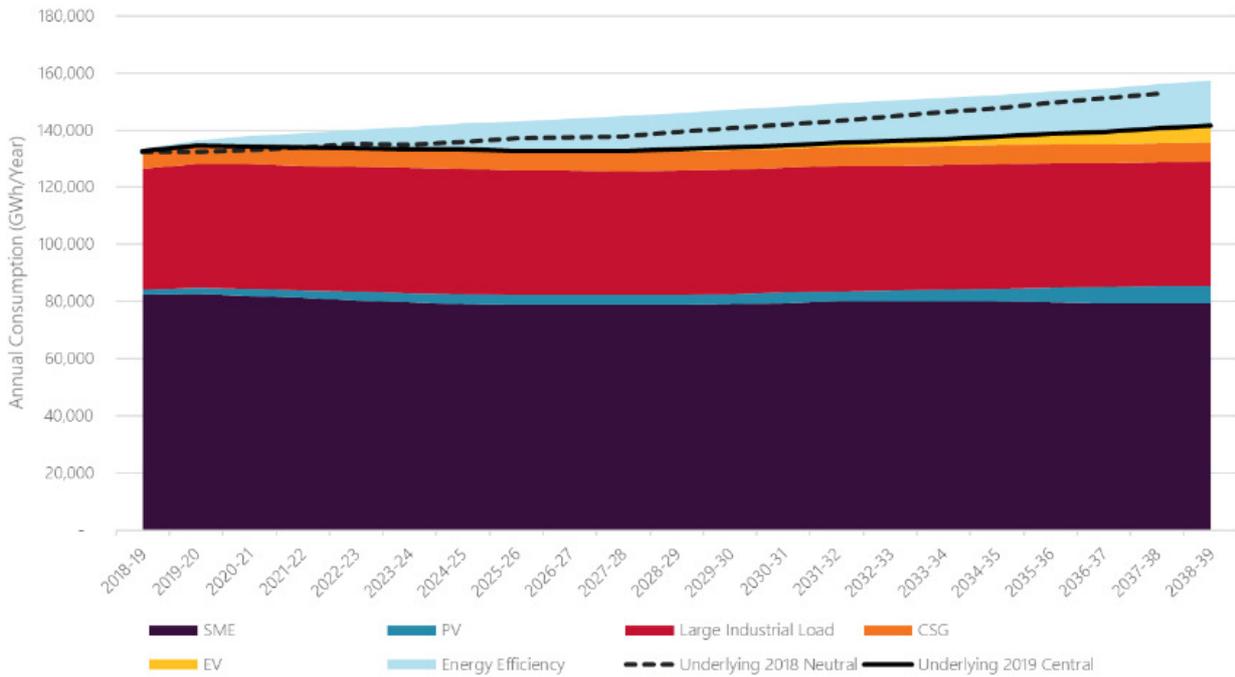
Effective energy policy needs *informed business and residential* consumer advocates. This miniscule increase in an annual power bill would allow consumer advocates to have an equal and independent voice at the energy policy table and in AEMO’s consultations.

Figure 1: Importance of consumers in regional Queensland to AEMO’s NEM demand forecasts



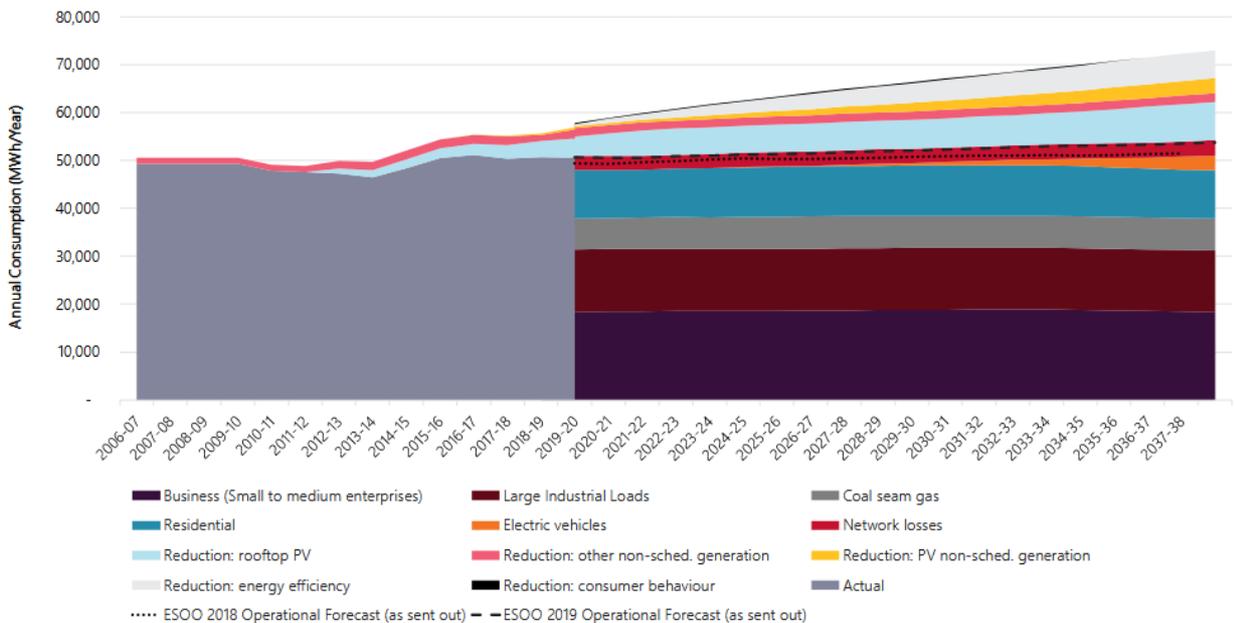
Source: Compiled by the QEUN from Australian Energy Regulator RIN data

Figure 2: NEM underlying business electricity consumption forecast, Central scenario, 2018-19 to 2038-39



Source: AEMO 2019 Electricity Statement of Opportunities, August 2019

Figure 3: Queensland operational consumption in MWh, actual and forecast, 2006-07 to 2038-39



Source: AEMO 2019 Electricity Statement of Opportunities, August 2019

Table 1: Powerlink delivered energy (GWh)

Year	Operational as generated	Operational sent out	Native as generated	Native sent out	Transmission sent out	Transmission delivered	Native	Native plus solar PV
2009/10	53,150	49,360	54,419	50,753	48,490	46,925	49,187	49,187
2010/11	51,381	47,804	52,429	48,976	46,866	45,240	47,350	47,350
2011/12	51,147	47,724	52,206	48,920	46,980	45,394	47,334	47,334
2012/13	50,711	47,368	52,045	48,702	47,259	45,651	47,090	47,090
2013/14	49,686	46,575	51,029	47,918	46,560	45,145	46,503	46,503
2014/15	51,855	48,402	53,349	50,047	48,332	46,780	48,495	49,952
2015/16	54,238	50,599	55,752	52,223	50,573	49,094	50,744	52,509
2016/17	55,101	51,323	56,674	53,017	51,262	49,880	51,635	53,506
2017/18	54,538	50,198	56,139	51,918	50,172	48,739	50,925	53,406
2018/19 (1)	55,090	50,383	56,557	51,979	50,083	48,886	51,270	54,251

Note:

(1) These projected end of financial year values are based on revenue metering and statistical data up until April 2019.

Source: Powerlink 2019 Transmission Annual Planning Report

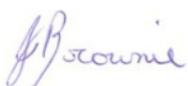
Table 2: Powerlink forecast annual transmission delivered (GWh)

Year	Low growth outlook	Medium growth outlook	High growth outlook
2019/20	48,179	48,736	49,771
2020/21	47,542	48,494	49,718
2021/22	47,018	48,331	49,896
2022/23	46,504	48,126	50,036
2023/24	45,924	47,862	50,196
2024/25	45,137	47,356	50,417
2025/26	44,314	46,792	50,375
2026/27	43,675	46,410	50,612
2027/28	42,962	45,913	50,720
2028/29	42,261	45,421	50,828

Source: Powerlink 2019 Transmission Annual Planning Report

Thank you for the opportunity to provide a consumer perspective to the consultation paper.

Yours faithfully



Jennifer Brownie
Coordinator
Queensland Electricity Users Network