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Electricity Market Participant Fee Structure – Consultation Paper

Essential Energy welcomes the opportunity to provide a submission to the Australian Energy Market Operator (AEMO) on its *Electricity Fee Structures Consultation Paper* (the consultation paper). Energy Networks Australia has also made a submission to the consultation paper, which Essential Energy supports.

Essential Energy recognises that AEMO's electricity market fee structures were last determined five years ago, and since that time the National Electricity Market has and continues to undergo significant change. For this reason, Essential Energy considers it appropriate to review market participant fee arrangements to confirm they are delivering outcomes that meet expectations.

Attribution of costs between participant categories

We note the consultation paper's discussion of AEMO's increased activities and expenditure related to the distributed energy resources integration and virtual power plant functions. The consultation paper suggests that these functions could provide justification for the consideration of new participant categories for the first time which could apply to Distribution Network Service Providers (DNSPs) as well as other participant categories. In such instances, AEMO participant fees could be allocated to new participant categories if it is efficient to do so.

It is Essential Energy's view that AEMO's market fees should remain allocated to the existing participant categories of market customers. On balance we consider this approach to be most consistent with the guiding principles outlined in the National Electricity Rules for the following reasons:

- Levying participant fees on the market participant closest in the supply chain to customers is more efficient than imposing fees on network service providers who are one step removed. This approach would be inconsistent with the simplicity principle discussed within the consultation paper.
- Currently retailers have the ability to pass through fees to end users simply and efficiently, whereas in practical terms network service providers would still pass AEMO market fees through to retailers through network charges, however, would incur administrative costs in doing so, resulting in no net benefit.
- DNSP's have no control of AEMO's operating budget and is therefore unable to accurately forecast costs five years in advance to mirror up with regulatory revenue determinations. As

such, costs will inevitably result in over or underestimated imbalances to the detriment of DNSP's and/or customers. Such a situation is not considered an efficient outcome.

- It is simpler for AEMO to administer cost allocations through the existing established recovery methodologies. Establishing new participant allocations is likely to incur costs and complexity for AEMO's systems to administer in determining cost allocations that are not arbitrary.
- The consultation paper notes that AEMO is seeking Government funding to minimise the impact on participant fees related to DER. In such an instance, it may be the case that the overall quantum of fee's needing to be recovered from participants is quite low. If this is the case, the justification for creating new participant categories and AEMO systems to support fee allocations should be further considered.

If a decision to create new participant categories where AEMO's fees are allocated for the first time to DNSPs, Essential Energy would encourage alignment with the Australian Energy Regulator's regulatory revenue determination periods which are set five years in advance. This would allow revenue to be recovered as accurately as possible. The next regulatory control period is set to begin in 2024.

Essential Energy thanks AEMO for the consultative approach and thorough analysis undertaken to date. If you have any questions in relation to this submission, please contact Anders Sangkuhl, Regulatory Strategy Manager via anders.sangkuhl@essentialenergy.com.au or via phone 0409 968 326.

Yours sincerely,



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