

Ms Nicola Falcon
General Manager Forecasting
Australian Energy Market Operator

Via Email: energy.forecasting@aemo.com.au

16 December 2020

Dear Ms Falcon

RE: Submission on Reliability Forecast Guidelines Issues Paper

The Queensland Electricity Users Network (QEUN) appreciates the opportunity to provide a consumer perspective on AEMO's Reliability Forecast Guidelines Issues Paper.

About the Queensland Electricity Users Network

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.

Recommendation 1

Consumers are cognisant that the ownership of the Australian Energy Market Operator is comprised of government (60%) and industry (40%). Whilst AEMO's revenue consists of fees paid by industry participants, it is ultimately consumers that pay AEMO's fees. It is therefore critical that AEMO engages with consumers as well as 'industry' stakeholders. Consequently we recommend all engagement in Section 2 of the Guidelines be referred to as '*stakeholder engagement*' and that stakeholder engagement includes consumers.

Recommendation 2

Chapter 4A.B.5 (b) (3) of the National Electricity Rules states that in relation to the AER Forecasting Best Practice Guideline "*stakeholders should have as much opportunity to engage as is practicable, through effective consultation and access to documents and information*".

AEMO consistently claims their consultations are extensive and inclusive and therefore constitute 'effective' consultation. This is a subjective claim and difficult to measure without an in-depth analysis of each individual AEMO consultation process. We recommend the Guidelines be amended to ensure all reliability forecasting consultations are objectively measured to ensure consultation is actually effective. This could be achieved by making it compulsory for AEMO to (a) report stakeholder engagement by category and (b) report submissions received by category.

We recommend the following stakeholder categories:

- generation
- networks
- retailers
- business consumers
- residential consumers
- government
- other

Recommendation 3

As the ongoing viability of the National Electricity Market will be determined by business demand, it is critical that consumers be classified by the primary consumer class for which they advocate.

At present AEMO is publicly contradicting itself with regards to who is the largest consumer of NEM supplied electricity; small or large business. If AEMO is internally unable to agree on who is the largest consumer of NEM supplied electricity then it is impossible for AEMO to accurately forecast demand or to ensure sufficient engagement with its largest consumer group. Inaccurate demand forecasts can lead to an unnecessary application by AEMO to the AER for a T-3 Reliability Instrument.

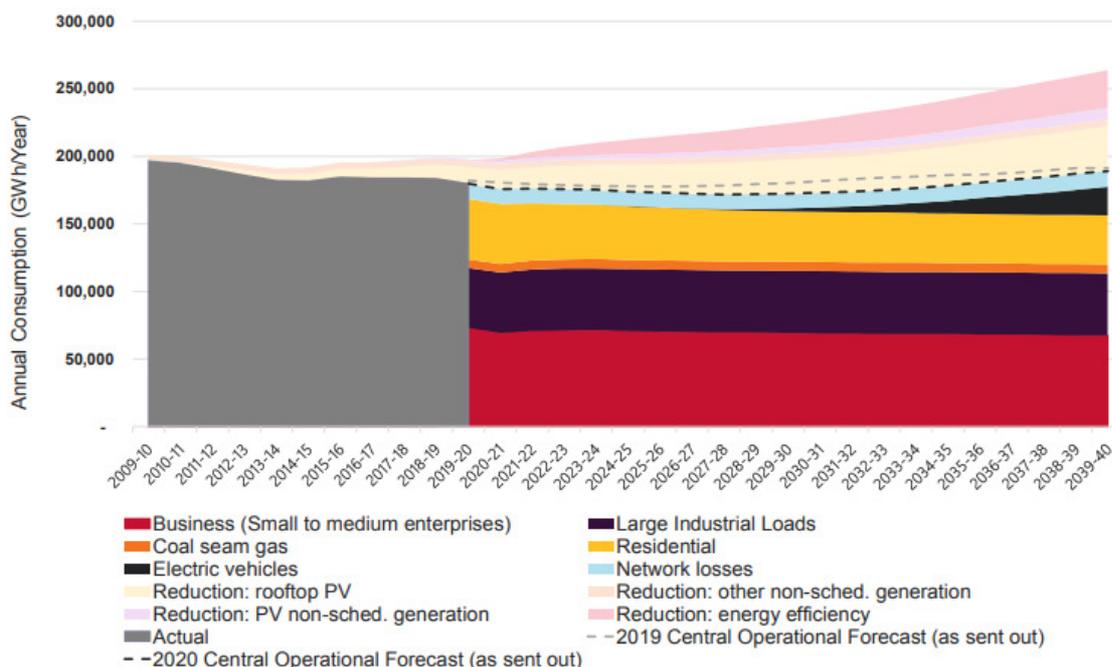
In AEMO’s 2020-21 Budget it states “57% of consumption relates to large business, 28% to households and 15% to small business”.

The AEMO budget further states “consumption of less than 10 MWh per annum is considered a household”.

The Queensland Competition Authority in its 2020-21 Determination of regulated retail prices for regional Queensland used an annual consumption of 6,831 kWh to estimate the impact of their determination on *small* business consumers. The consumption data was provided by Ergon Network and represented the median consumption of the main small business tariff – Tariff 20. This means thousands of small businesses in regional Queensland would be classified as households by AEMO as the median annual consumption is less than 10,000 kWh.

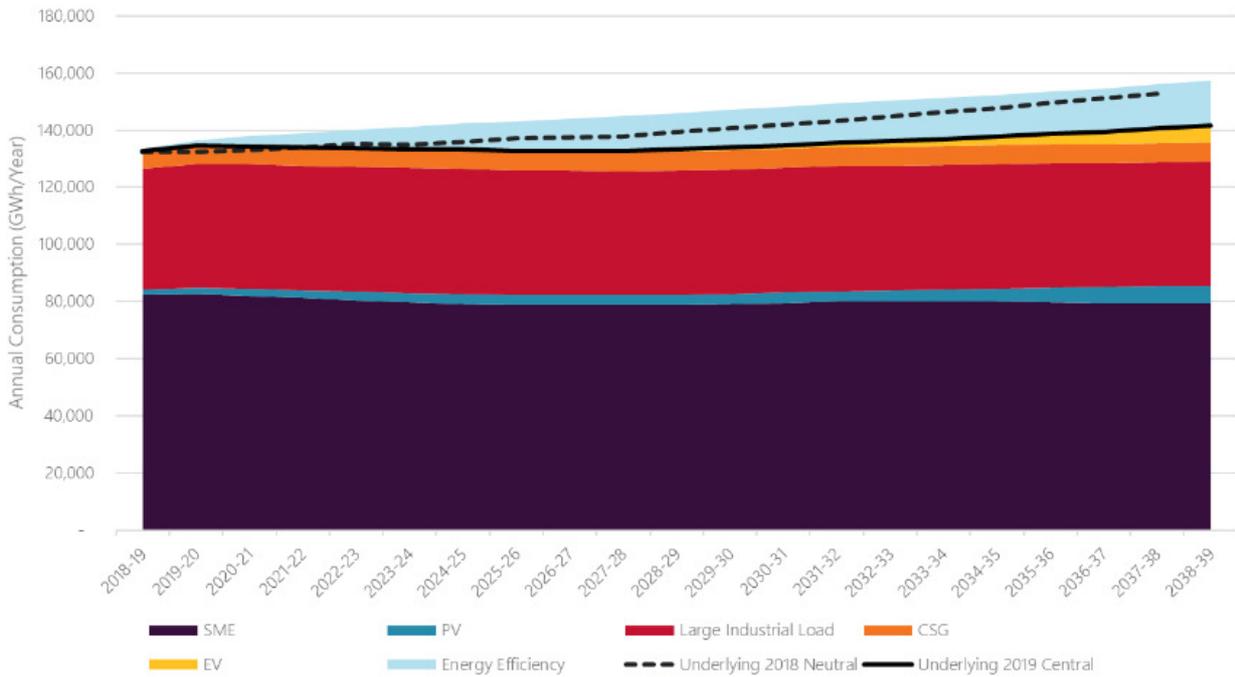
In AEMO’s Electricity Statement of Opportunities – a critical input to the Retailer Reliability Obligation - small and medium size businesses are the largest consumers (Figure 1 and 2). This contradicts AEMO’s 2020-21 Budget where 57% of NEM consumption is from large business. We recommend AEMO defines SMEs and large business consumers to ensure accurate demand forecasts and effective stakeholder engagement.

Figure 1: NEM electricity consumption, actual and forecast, 2009-10 to 2039-40, Central scenario



Source: 2020 Electricity Statement of Opportunities, AEMO, August 2020

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



Source: AEMO 2019 Electricity Statement of Opportunities, August 2019

Recommendation 4

Energy policy is determined/influenced by those who participate verbally in a forum or provide a written submission.

We have consistently brought to the attention of AEMO the inability of consumers to engage with AEMO due to a lack of financial and therefore human resources. We have also consistently brought to the attention of AEMO the need for consumers to have sufficient financial resources to bring evidence based solutions to AEMO consultations. The financial and human resources of consumers, particularly business consumer advocates, are miniscule compared to the resources available to all other stakeholder groups and energy market bodies (Figure 3 and 4).

At a recent AEMO forum it was stated that the majority ruled. On this basis consumers who ultimately pay for AEMO services and the NEM will always struggle to influence AEMO decisions on reliability forecasting.

To ensure equitable consideration of all stakeholder concerns (including consumer concerns), we recommend AEMO establish an Issues Register which documents all stakeholder concerns pertaining to reliability forecasting and AEMO’s response to the concerns. This would go some way to levelling the playing field between stakeholder groups and removing any underlying bias by AEMO.

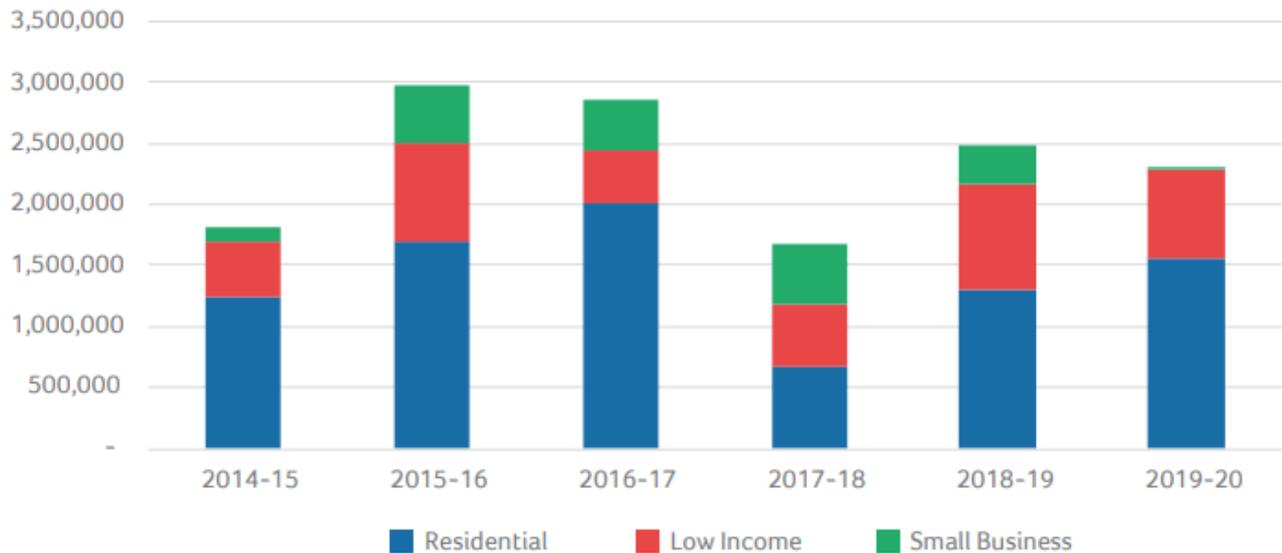
Figure 3: Human and financial resources available to energy market bodies

RESOURCES AVAILABLE TO ENERGY MARKET BODIES	AEMC			AER			AEMO			TOTAL ENERGY MARKET BODIES		
	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17
HUMAN RESOURCES												
Staff and Board	95	94	88	253	205	149				348	299	237
In house contractors and secondment				33	31	44				33	31	44
Staff salaries over \$150,000 AEMC and over \$100,000 AER	42%	39%	31%	52%	59%	59%						
FINANCIAL RESOURCES												
Total Expenses	\$26.9	\$25.5	\$23.1	\$62.7	\$48.2	\$41.0	\$821.0	\$743.2	\$735.8	\$910.6	\$816.9	\$799.9
Employees and In house contractors	\$18.0	\$15.9	\$13.8	\$35.1	\$22.0	\$18.3	\$126.8	\$115.3	\$100.6	\$179.9	\$153.2	\$132.7
External consultants and lawyers	\$2.5	\$3.7	\$5.7	\$7.5	\$5.3	\$6.6	\$28.9	\$22.2	\$22.4	\$38.9	\$31.2	\$34.7
Travel	\$0.8	\$0.7	\$0.6	\$1.1	\$0.9	\$0.5	\$3.7	\$3.2	\$2.5	\$5.6	\$4.8	\$3.6

Note: AER staff are supplemented by legal, economic and corporate staff shared with the ACCC

Source: Compiled by QEUN from AEMC, AER and AEMO Annual Reports

Figure 4: Energy Consumers Australia funding of energy consumer advocacy & research by consumer class



Source: Energy Consumers Australia Grants Program Annual Report Supplementary Information 2019-20

Thank you for the opportunity to provide a consumer perspective to AEMO’s Reliability Forecast Guidelines Issues Paper.

Yours faithfully



Jennifer Brownie
Coordinator
Queensland Electricity Users Network