

AEMO – REGIONAL BENEFIT DIRECTIONS PROCEDURES

7 NOVEMBER 2023

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under AEMO's Regional Benefit Directions Procedures consultation paper.

The EUAA supports a process for establishing a regional benefit factor (RBF) derived from an AEMO Direction (*direction*) for the purpose of distributing the cost associated with the *direction* equitably and transparently.

The EUAA agrees with Principles 1 to 4 presented in the Regional Benefit Directions Procedures consultation paper, whereby for each *direction*,

1. AEMO must calculate an RBF for each region with a value between zero (no benefit) and one (the whole benefit),
2. answer the question of "who stands to benefit most from the issuance of the *direction*?", and if there is zero benefit in a region then assign an RBF of zero to that region,
3. not define an RBF by physical location of the *directed participant*, i.e be consistent with the second principle,
4. If a *direction* is issued to address a problem in a single region, assign an RBF of one to that region and zero to all other regions.

However, AEMO's proposed Principle 5:

"If a direction is issued to address a problem that affects multiple regions, the RBFs for each affected region should equal the proportion that is the sum of operational demand for the affected region divided by the sum of the operational demand from all affected regions across the direction event, unless a region is not benefitting from the direction, such as through a constrained interconnector. Where a region is not benefitting from the direction, operational demand in that trading interval will be excluded from the RBF calculation."

The proposed Principle 5 allocates the RBF according to operational demand and does not allocate the RBF on the basis of regional benefit, e.g. for a *direction* given for South Australia and Victoria, where a larger energy *direction* is given for South Australia than Victoria (therefore South Australia receives a greater benefit) would see the

allocation of benefits under the proposed Principle 5 incorrectly biased towards Victoria as the operational demand in Victoria is larger.

The EUAA considers that Principle 5 needs to measure the regional benefit by reflecting the size of the problem in each region requiring *directions*, and therefore the quantity of the *direction* in each region provided through the *direction*. The EUAA proposes the following changes to Principle 5 to accommodate measuring the actual regional benefit:

*“If a direction is issued to address a problem that affects multiple regions, the RBFs for each affected region should equal the proportion that is the sum of ~~operational demand~~ **the direction** for the affected region divided by the sum of the ~~operational demand~~ **direction** from all affected regions across the direction event, unless a region is not benefitting from the direction, such as through a constrained interconnector. ~~Where a region is not benefitting from the direction, operational demand in that trading interval will be excluded from the RBF calculation.~~”*

The EUAA supports allocation of recovery to those that are best placed to manage the cost. The EUAA understands that the NER stipulates that while energy *directions* are recovered from consumers, *directions* for other services are recovered from Market Customers, Market Generators and Market Small Generation Aggregators, who are better placed to manage the issues that cause the *directions* for other services.

Changing Principle 5 to allocate the regional benefits accruing to each region (rather than based on operational demand) will correctly allocate the cost and therefore correctly incentivise a response from Market Customers, Market Generators and Market Small Generation Aggregators to rectify any underlying issues that may have led to the *direction*.

Do not hesitate to be in contact should you have any questions.



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