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26 May 2022

Andrew Pirie
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Australian Energy Market Commission
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RE: Recovering the cost of AEMO's participant fees – ERC 0335

Dear Andrew,

Thank you for providing an opportunity to comment on the Energy Market Commission's consultation paper focused on the recovery of AEMO's participant fees by Transmission Network Service Providers (TNSPs)—ERC 0335.

Energy Consumers Australia is the national voice of residential and small business consumers. We have observed – just as the consultation paper notes -- that AEMO is increasingly involved in network related activities, such as assessing the safe connection and operation of renewable generation and other issues related to power system security. As the Integrated System Plan and AEMO's Engineering Framework make clear, there is a growing need for advanced engineering analysis and operations to safely and reliably manage the bulk power supply as it transitions from thermal, rotating, synchronous generators to renewable, inverter-based power plants.

In the context of this monumental transition and AEMO's growing role, the proposed rule change is mis-timed and ill-advised. The proposed rule change would have the effect of enabling AEMO's rising costs to simply be passed directly through to consumers without any substantial review.

This increasing burden on AEMO and TNSPs requires more thoughtful approaches to the functions and resources required by TNSPs and AEMO and new approaches to budgeting. Removing opportunities for cost scrutiny at the beginning of this transition is unjustified and implies that as AEMO's role grows, the scrutiny on its costs should dissipate. Such an approach will not help the sector achieve the National Electricity Objective and its stated aim of "efficient investment in, and efficient operation and use of, electricity services."

We do not support a proposal that allows AEMO costs to be passed through to consumers without any test of whether they are prudent and efficient. The consultation paper fails to address the fundamental role of regulatory review of costs for monopoly service providers. Nearly all other costs components in a TNSP's regulated revenue are examined carefully by the Australian Energy Regulator and the general public, including concerned consumers and consumer advocates. Why should these costs not receive similar scrutiny?

The rule change proponents note that AEMO's National Transmission Planner fees are simply passed through to consumers, and these costs receive no scrutiny. A key difference with the NTP fees is that they cover the costs of developing the Integrated System Plan – a key, new function with broad-based support that only partly replicated what TNSPs had done in the past. Regardless, a more preferable approach would be to bring the NTP fees under the same scrutiny we are proposing for the participant fees – and what will happen to participant fees absent this rule change.

The rule change proponents view is that one monopoly (AEMO) is able to pass through costs to another monopoly (TNSPs) without any further review. Admittedly, such an approach would be administratively efficient – just as it would be for all TNSP costs to be passed through to consumers without any regulatory review. But it would not be in the long-term interests of consumers and in the advancement of the National Electricity Objective.

Indeed, agreeing to the rule change may have a perverse incentive of encouraging TNSPs to hand over more functions to AEMO, because doing so would reduce the level of scrutiny a TNSP has to face on its costs. By contrast, requiring TNSPs to justify these costs in their revenue determinations would encourage the TNSPs themselves to carefully scrutinise and validate AEMO's budgeting decisions.

Rule change proponents fairly note the mismatch between the AEMO annual budget and the five-year revenue determinations for TNSPs. An appropriate solution to this problem would be to require AEMO to provide five-year budgets annually. Such budgets would give appropriate transparency to the growing costs and complexities of planning and operating the bulk power system as it transitions. Continuing the current, myopic annual budgeting approach risks further severe price shocks from rising AEMO fees.

In summary, Energy Consumers Australia asks the Australian Energy Market Commission not to support the rule change as proposed by Energy Networks Australia. There may be merit in examining other changes to the rules to provide appropriate scrutiny to rising costs from system security while better aligning AEMO and TNSP budget forecasts.

If you have any questions on this submission or would like to discuss the topic, please do not hesitate to contact me at brian.spak@energyconsumersaustralia.com.au.

Yours sincerely,



Lynne Gallagher
Chief Executive Officer