

26 May 2022

Ms Anna Collyer
Mr Charles Popple
Ms Michelle Shepherd

Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Lodged electronically: www.aemc.gov.au (ERC0335)

Dear Commissioners

Recovering the cost of AEMO's participant fees – Consultation Paper – 28 April 2022

EnergyAustralia is one of Australia's largest energy companies with around 2.5 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 4,500MW of generation capacity.

We appreciate the opportunity to briefly comment on the rule change proposed by the ENA, and supported by AEMO.

The proposal and the Commission's consultation paper treat this issue as administrative in nature. It is presumed that the AER regards AEMO participant fees as uncontrollable, and efficient, hence should be subject to an 'automatic' pass through as part of annual price updates.

We do not support this rule change proposal, largely on the basis of incentive issues, which the Commission and the ENA should explore further. This change would also prescribe the treatment of certain costs in the rules, which we oppose in principle, and should at least be denied treatment as non-controversial.

We support retaining the status quo for the following reasons:

- while AEMO fees are less controllable than a TNSP's internal costs, TNSPs should face some incentive to engage in AEMO's governance. The need for market participants to have such oversight and responsibility is reflected in AEMO's allocation of costs on the basis of 'involvement'.¹ The ENA's proposal would deflect AEMO's transmission fees entirely onto customers, leaving TNSPs indifferent to the scope and efficiency of AEMO's activities, and defeating the purpose of AEMO's fee allocation process.
- Maintaining an incentive on TNSPs to engage in AEMO's spending is important as the NEM faces a wave of significant and costly reforms, with further increases in

¹ NER clause 2.11.1(b)(3).



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participant fees as a result. TNSPs have already brought a diversity of views and experience to governance discussions and this needs to continue.

- The current arrangements appropriately provide for the AER to consider the extent to which these fees are uncontrollable, including eligibility for pass through events.
- The ex-ante incentive arrangement is not intended to guarantee TNSPs are completely shielded from all variations in costs from regulatory allowances, even if they are deemed to be uncontrollable. In addition to narrowing the scope of events, the Commission codified a 1 per cent materiality threshold for pass through applications when it originally drafted rules for transmission economic regulation.² We question why the reasoning behind this materiality threshold, to capture only substantive changes in costs, should not apply in this case.
- The ENA points to the automatic pass through of National Transmission Planning (NTP) fees as a precedent for this rule change. We would be concerned if regulated entities are encouraged to argue for other fees to be prescribed as efficient, to be automatically paid by customers, dollar for dollar. The Commission may wish to consider whether NTP fees should be brought back in line with the NER's general expenditure arrangements. The NTP rule change was largely required to address a transitional issue and the creation of new AEMO functions that did not have an immediate and necessary funding channel.

If you would like to discuss this submission, please contact me on 03 8628 1655 or Lawrence.irlam@energyaustralia.com.au.

Regards

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² <https://www.aemc.gov.au/sites/default/files/content/917e2703-c380-4475-b884-aebc33df7136/Transmission-Revenue-Rule-Proposal-Report-%28AEMC%29.pdf>. See pages 79-80.