

23 September 2020



Kevin Ly
Group Manager Regulation
Australian Energy Market Operator

Submitted via email.

Dear Mr Ly,

Review of Electricity Market Participant Fee Structure

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Australian Energy Market Operator's (AEMO) review of its energy market participant fee structure. We provide comment on a number of areas of the consultation paper.

Duration of new fee structure

The National Energy Market (NEM) is expected to undergo considerable change in coming years. The implementation of wholesale demand response in October 2021, Five Minute Settlement, the integration of Distributed Energy Resources and the Post-2025 market design reforms are a few examples of changes that will bring a range of new participants, technologies and services to the market. In light of these changes, we recommend the structure of participant fees should apply for three, rather than the current 5 years. Shortening the duration of the fee structure still provides certainty for existing and emerging participants while not locking in a structure that is no longer fit for purpose as the market changes.

Fee structure principles

PIAC considers the simplicity principle should be reconsidered. Allocating fees to energy market participants is inherently complicated given the size of the market and the number of different participants. While simplicity has merit, transparency, efficiency and fairness are more appropriate principles to guide the fee structure.

Simplicity is not defined in the rules, making it difficult to determine how the principle of simplicity should be interpreted and applied, and how it is balanced against transparency, fairness and efficiency. AEMO notes it considers 'the use of the

Level 5, 175 Liverpool St
Sydney NSW 2000
Phone: 61 2 8898 6500
Fax: 61 2 8898 6555
www.piac.asn.au
ABN: 77 002 773 524

word “simple” in this context also involves a degree of transparency¹. We suggest updating the principle of simplicity to more clearly outline how efficiency, transparency and fairness should be considered in allocating fees.

Generator fees

AEMO notes Scheduled, Semi-scheduled and Non-scheduled market generators all currently pay fees on an identical basis. It also notes since the last fee determination there has been (and will be going forward) a significant increase in the number of Semi-scheduled and Non-scheduled generators, and AEMO is expecting greater challenges with modelling, controlling and operating the power system, potentially resulting in greater AEMO involvement in the market. In light of this change, we consider it may be appropriate to review the division of costs between Market generator categories to make it more reflective of involvement in AEMO’s revenue requirements. This review should particularly consider how changing the cost allocations meets ‘non-discriminatory’ and ‘reflective of involvement’ principles.

Fees for non-energy synchronous services

We would welcome further consideration of whether providers of non-energy synchronous services attract a fee.

Electricity Retail Markets

Fees recovered from retailers will be passed through to consumers. We welcome more consideration of the likely impacts of a reallocation of fees currently recovered through the electricity Full Retail Competition service. However we stress, in any reallocation AEMO should be able to demonstrate that consumers benefit from the product of fees they will implicitly pay through their retailer.

DER integration

AEMO requires funding for programs across five work streams aimed at better integrating Distributed Energy Resources (DER) into the power system. We are concerned projects in the DER integration workstream are vaguely defined, dissimilar to each other and it is unclear how costs will be allocated from it.

Much of the DER integration work cited by AEMO primarily relates to or benefits small customers and/or inverter-connected DER. The consultation paper does not distinguish which of these programs the costs relate to. Under the demand response mechanism to be implemented in October 2021, DRSPs can only be engaged by large customers, and their demand response capabilities may not rely on inverter-connected DER. As such, DRSPs may not benefit from the majority of projects in the DER workstream.

We recommend further consideration of how costs of the DER integration work are allocated, in particular whether actual benefit is being seen by participants to which fees are being applied.

Registration fees

We support AEMO reviewing registration fees in light of considerable macro-economic and energy system changes since they were last reviewed in 2018. We also recommend AEMO examine how it can lower barriers to entry for smaller, new participants while still maintaining cost-reflective pricing, for example through simultaneously processing multiple, similar applications from the same applicant.

¹ AEMO, August 2020. *Electricity Fee Structure Consultation Paper*, p.11. https://aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2020/electricity-market-participant-fee-structure-review/final-aemo-electricity-fee-structure-consultation-paper_aug-2020.pdf?la=en

Yours sincerely

Anna Livsey
Policy and Communications Officer
Public Interest Advocacy Centre

Direct phone: +61 2 8898 6520
E-mail: alivsey@piac.asn.au