AUSTRALIAN
ENERGY
COUNCIL

Sara O'Connor
Economic Regulation Authority
4th Floor Albert Facey House 469 Wellington Street,
Perth, Western Australia
Perth BC, PO Box 8469 PERTH WA 6849

Submitted by scott.davis@energycouncil.com.au to https://www.erawa.com.au/consultation

31 May, 2019

Response to AR5 Draft Decision - Australian Energy Market Operator allowable revenue and forecast capital expenditure proposal for 2019/20 to 2021/22

The Australian Energy Council (AEC) ***welcomes and supports the draft decision*** by the Economic Regulation Authority (ERA) on the 'Australian Energy Market Operator allowable revenue and forecast capital expenditure proposal for 2019/20 to 2021/22'. The AEC is the industry body representing 23 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The AEC acknowledges the Australian Energy Market Operator's (AEMO) past performance in relation to prudent cost management, but also recognises that AEMO's revenue requirement must be based on independently determined efficient costs. The ERA correctly points out that the current absence of drafted Wholesale Electricity Market (WEM) rules and the lack of detailed business requirements, mean the ERA is unable to determine an efficient revenue requirement for capital expenditure beyond year 1 of the AR5 period.

We reiterate the point from our initial submission, that market participants should not pay for government led market reform, and that definition and implementation of reform should be funded directly by government. The AEC believes that participant fees should relate to the costs of operating the market, and that funding reform via market fees adds difficulty to AEMO's task of minimising participant fees; which in the case of the WEM are significant and increasing.

Given the reform agenda and increasing system complexity leading to AEMO fee increases we encourage the ERA to also consider reviewing the way AEMO's costs are recovered from market participants (and potentially from non-market participants). The AEC believes the structure and methodology of ***market fee allocation should be considered*** in relation to AEMO's allowable revenue.

We also reiterate our point that inefficient investment signals in relation to DER are increasing the impact on the entire electricity system and consideration must now be given to how costs caused by DER integration can be better allocated on a ***causer pays principle***.

Any questions about our submission should be addressed to Scott Davis, Policy Adviser Western Australia by email to scott.davis@energycouncil.com.au] by telephone on 0457 784 119.

Yours sincerely,

Scott Davis
Policy Advisor, Western Australia
Australian Energy Council

Level 14, 50 Market Street
Melbourne 3000
GPO Box 1823 Melbourne Victoria 3001

P +61 3 9205 3100
E info@energycouncil.com.au
W energycouncil.com.au

ABN 92 608 495 307