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Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
Perth WA 6000
Postal address: PO Box 8469, PERTH BC WA 6849

Submitted online by graham.pearson@energycouncil.com.au to <https://www.erawa.com.au/consultation>

Australian Energy Market Operator in-period funding for Distributed Energy Resources Roadmap activities

The Australian Energy Council (the “**AEC**”) welcomes the opportunity to make a submission to the Economic Regulation Authority (“**ERA**”) on the Australian Energy Market Operator (“**AEMO**”) in-period funding for Distributed Energy Resources (“**DER**”) Roadmap activities (“**Report**”).

The AEC is the industry body representing 22 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 applauds the ERA for its rigorous analysis of AEMO’s proposal. AEMO is seeking approval for \$18.9 million forecast capital expenditure in the fifth allowable revenue period (“**AR5**”) for its DER roadmap functions. This will add a significant burden to market participants. It comes on top of the \$65.8 million forecast capital expenditure the ERA approved for AR5 from 1 July 2019 to 30 June 2022¹ and is a 39 per cent increase above approved capital expenditure for Wholesale Electricity Market (“**WEM**”) reform in the current funding period.² The ERA notes that it would add a further 5.4 percentage points onto the 13.8 per cent increase in average WEM market fees over the three years from 1 July 2022 to 30 June 2025.³

The AEC has consistently advocated that market participants should not pay for government led market reform, including in our submission to the ERA on the AEMO allowable revenue and forecast capital expenditure proposal for 2019/20 to 2021/22⁴, our response to the ERA on the AR5 draft decision⁵, and our submission to the Energy Transformation Implementation Unit on the DER Roadmap Draft Implementation Rules.

Funding reform via market fees adds difficulty to AEMO’s task of minimising participant fees and, in many cases, it disproportionately penalises existing market participants due to these fees being charged on a \$/MWh basis. The AEC is concerned that this would in fact exacerbate the cross-subsidies which caused the problem in the first place. As market fees are charged on \$/MWh basis, rooftop solar PV owners would have little exposure to the additional charges, while generators and loads without rooftop solar PV would be

¹ See [Australian Energy Market Operator Allowable Revenue and Forecast Capital Expenditure 2019/20 to 2021/2022](#)

² See page ii, [Australian Energy Market Operator in-period funding submission for implementation of the Distributed Energy Resources Roadmap – Draft findings report](#)

³ See page ii, [Australian Energy Market Operator in-period funding submission for implementation of the Distributed Energy Resources Roadmap – Draft findings report](#)

⁴ See [AEC submission on Australian Energy Market Operator allowable revenue and forecast capital expenditure proposal for 2019/20 to 2021/22](#)

⁵ See [AEC submission on AR5 Draft Decision](#)

penalised for an issue they did not cause and cannot control. The AEC encourages the ERA to review the way AEMO's costs are recovered from market participants and non-market participants in the future, include this matter in the next annual WEM effectiveness report, and addresses these issues with Energy Policy WA.

That aside, the AEC acknowledges the efforts by the ERA to analyse AEMO's proposal and identify areas where the forecast capital expenditure could be lowered by approximately \$4.5 million. We note that the ERA's Report only represents the ERA's initial view, which is based on an incomplete suite of information, and that it receives the necessary information from AEMO to come to a considered position. It is critical for all stakeholders that market fees, which are already substantial and increasing, are managed and excess costs eliminated.

To recap, the AEC appreciates the ERA's efforts to analyse and lower AEMO's proposed capital expenditure and suggests that the ERA reviews ways that costs can be better recovered from across the market.

Any questions about our submission should be addressed to Graham Pearson, Western Australia Policy Adviser by email to graham.pearson@energycouncil.com.au or by telephone on 0466 631 776.

Yours sincerely,

Graham Pearson
Policy Advisor, Western Australia
Australian Energy Council