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Dear Kevin

AEMO Electricity Fee Structures consultation paper

AGL Energy (AGL) welcomes the opportunity to comment on the AEMO Electricity Fee Structures consultation paper.

AGL is one of Australia's leading integrated energy companies and the largest ASX listed owner, operator, and developer of renewable generation. Our diverse power generation portfolio includes base, peaking, and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy and provides energy solutions to over 3.6 million customers in New South Wales, Victoria, Queensland, Western Australia, and South Australia.

Period

We consider that the appropriate period of application for the next fee structure should be five years, as has been the term since 2006. A five year term would create certainty for market participants and would mean that the next fee structure consultation would be aligned with the NEM 2025 process which should provide greater clarity regarding changes to the NEM and new participant categories.

Participants

To ensure AEMO fee recovery is equitable, AEMO fees should be recovered from all participants who earn a profit directly through the NEM. This should include Market Ancillary Service Providers, Market Stand Alone Power Service Providers, and Embedded Network Service Providers as they become more active in the market. For participants which are service providers to other NEM participants including TNSPs, DNSPS, and metering coordinators, the allocation of AEMO fees will most likely lead to these fees (and a potential surcharge) being passed onto retailers and end customers. It may therefore be more efficient to exclude these participants from the allocation of AEMO fees, except to the extent that they are involved in activities beyond their role as contemplated in the NER.

Generators

AGL supports the continuation of the 50% capacity-based and 50% energy-based fee allocation for generators and believes that all generators should be charged on an equal basis. This is consistent with the fee structure principle of simplicity and the principle that fees be reflective of involvement. As the power system has become more complex, the challenge of integrating different generation



types has become central to AEMO's role, and therefore all generation types require significant consideration by AEMO.

Market customers

The current method of charging market customers fees based on actual energy consumed \$/MWh is appropriate since it is a simple metric which more closely correlates with a market customer's revenue than the alternative of charging based on connections. A \$/MWh metric is therefore less likely to distort market customer incentives.

AEMO has proposed replacing the net \$MWh flow metric with a gross \$MWh flow for each NMI which sums all energy flow irrespective of whether it is an electricity import or export. We support this change, as a participant who can offset their energy use is still likely to contribute to AEMO's costs and should therefore be allocated AEMO fees.

NTP

AGL supports the continued allocation of AEMO's fees incurred in its role as the NTP to TNSPs after the 30 June 2022 allocation methodology expires. We support the methodology by which TNSPs are levied based on their respective jurisdiction's consumption (per GWh basis) for the latest completed financial year, since development of the transmission network can have a broad benefit for all NEM participants and all customers, even if they are not located in the region in which the development occurs. We note that increased responsibilities and fees for network development undertaken by AEMO, should be offset by a comparable reduction in network charges.

Electricity retail markets (Full Retail Competition)

AGL agrees with AEMO's assessment that fees allocated under the Full Retail Competition (FRC) category are broader than FRC however we consider that these fees should continue to be allocated on a per NMI basis. From a retail perspective, the management burden of a NMI (processing, systems, data storage etc) does not vary significantly based on MWh. The per NMI basis is therefore more equitable than a per MWh basis, since the per MWh basis favours customers with small loads, even though customers with small loads are more likely to have less sophisticated systems which can increase the complexity and burden of AEMO's management function, whereas large load customers will often have simpler retail operations.

5MS

Five minute settlement (5MS) is designed to lead to more efficient bidding, operational decisions, and investment signals for generation capacity in the NEM and should lead to lower electricity prices for all consumers. The benefits flow to all market customers and will be greater when more energy is used. Therefore, allocation of AEMO's fees related to 5MS should be allocated on a per MWh basis to market customers.

We suggest that AEMO assess whether a shorter repayment period (e.g. 5 years rather than the 10 years contemplated) for the 5MS program may lead to reduced overall costs, since it may reduce the cost of capital. This would need to be balanced with consideration of the impact on cashflow for market customers if the 5MS program cost is spread over a shorter timeframe.



We consider that cost recovery should commence at the same time as the rule change date for 5MS, being 1 October 2021 to ensure the fees are allocated in the period in which the benefits of the reforms are anticipated.

DER

The appropriate mechanism for AEMO fee recovery for DER integration should be determined for each specific DER initiative, with a reflective of involvement approach, rather than a blanket approach. Some initiatives should be allocated across market participants, while other initiatives are more appropriately recovered through incremental costs on a per MWh or NMI basis (e.g. fees attributable to DNSPs or DRSPs).

Digital platform, system, and cyber refresh

We suggest these fees be spread across all participants which are allocated AEMO fees.

Regulatory compliance

AEMO has suggested that it may be appropriate to use criteria similar to that used for determining declared NEM project status to determine whether a regulatory obligation results in material implementation costs that should be allocated through a specific fee category rather than having the fee allocated as part of the general allocated cost. We consider this to be a reasonable approach to ensure that major expenses are appropriately allocated and suggest that smaller charges attributable to regulatory compliance programs should be allocated as part of the general allocated cost.

Consumer Data Right

The implementation of the Consumer Data Right (CDR) in the energy sector represents a departure from the 'economy wide' application of the CDR which is based on a tripartite arrangement between data holders, accredited data recipients, and consumers. The energy sector has a fourth role facilitated by AEMO as a Gateway – passing CDR data between market participants to accredited data recipients.

The decision to introduce AEMO as a Gateway in the energy sector was made by Government when developing the Treasury Laws Amendment (Consumer Data Right) Act 2019, with funding being provided to AEMO in the 2018-19 Budget to allow for technology updates in preparation for the Consumer Data Right.¹

As an economy wide right, the CDR allows consumers and accredited data recipients (with consumer consent) to access data cross a range of designated industries including banking, energy, and soon telecommunications and superannuation. Accredited data recipients are industry agnostic, meaning they can access consumer data cross different sectors designated under the CDR. Energy retailers will already incur significant costs in their role as designated data holders, including developing the APIs and system integration required into the Gateway. Requiring energy

¹ See the 2018-19 Budget on Powering Forward- delivering more affordable, reliable and sustainable energy page 53 in Part 2 of the 2018-19 Budget available here: https://www.budget.gov.au/2018-19/content/bp2/download/bp2_expense.pdf



retailers to fund the build and maintenance of a Gateway represents an unequal distribution of costs borne by data holders to the benefit of accredited data recipients.

Further, the current ACCC consultation on the Energy Rules Framework has a range of options under consideration, including the possibility of implementing hybrid approaches with a mix of AEMO and retailer builds (see for example the proposed dashboard options).² Such an approach may then require retailers to pay for both their own solution and then subsidise other retailers use of an AEMO solution.

Given the Government has already provided some funding to AEMO for the CDR, we recommend that all ongoing costs for maintenance and management of the Gateway and AEMO's role as a data holder, be covered by the Government, rather than being allocated to industry participants.

Energy Consumers Australia

A fee per connection point for small customers is the simplest mechanism to ensure Energy Consumers Australia (ECA) costs are allocated to all consumers. However, given that the ECA also participates in wholesale discussions we suggest that the AEMC give some consideration to including charges in that sector.

Registrations

A fee for service approach is appropriate for registration of participants in the NEM.

NEM participant compensation fund

We support the continuation of the 50% capacity-based and 50% energy-based fee allocation for the NEM participant compensation fund since it is consistent with the mechanism for allocation of costs to generators.

Incremental service fees

If incremental service fees are used by AEMO to recover costs incurred by AEMO for the provision of specific services requested by industry participants, then a threshold should be applied for those fees to avoid over complexity in billing and the exclusion of incremental recovery for services received consistent with the ordinary requirements of participation in a category. For example, the Snap Shot report from MSATs or support hub enquiries should be accounted for in the fees paid for by NEM participants rather than allocated by an incremental service fee.

Yours sincerely,

Chris Streets

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² See page 39 - https://www.accc.gov.au/system/files/CDR%20-%20Energy%20rules%20framework%20consultation%20paper%20-%20July%202020_0.pdf