

INTRODUCTION

The Energy Users Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, food and materials processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and expect to see all parts of the energy supply chain making their contribution to the National Electricity Objective.

Our members are highly exposed to movements in both gas and electricity prices and have been under increasing stress due to escalating energy costs. These increased costs are either absorbed by the business, making it more difficult to maintain existing levels of employment or passed through to consumers in the form of increases in the prices paid for many everyday items.

The EUAA agrees with the AEMO that significant changes in the NEM since the last review of the fee structure means it is appropriate to undertake this review.

While we acknowledge that this review is not about the annual budget and fees, it cannot be separated from that. A necessary pre-requisite for a fee structure that meets the NEO is a budget that is arrived at after a transparent and collaborative engagement process. A process that gives consumers confidence on the purpose that particular sub-segments of costs are being incurred for the benefit of particular stakeholders. A process that then provides a relatively straightforward answer to 'which stakeholder should properly bear this cost?' We look forward to the consultation process on the 2021-22 budget that provides that level of understanding.

We provide brief comments on the topics highlighted in the Consultation Paper (Paper) that have specific relevance to our members as both market participants and end use consumers. We begin with comments on the fee structure principles.

FEE STRUCTURE PRINCIPLES

We support the continuing central focus on the NEO as an economic concept.

The 'simplicity' principle should be considered in the context of the NEO. So, while one view of simplicity might mean that consumers would bear a particular fee, if bearing that fee is inconsistent with the NEO then it does not pass the 'simplicity' test. Given a choice between 'simple' and more effective recovery of costs incurred to provide a service to a particular stakeholder then we would choose the latter.

Complexity, like equity, is in the eye of the beholder. Those who lose under a particular fee structure will no doubt argue it is 'too complex' or 'inequitable' while those who gain will argue that it is 'equitable' and 'simple'. Our members do not mind a bit if complexity results in a NEO driven fees structure. Efficient cost recovery does not have to mean complex.

While ultimately consumers may bear the costs, this is not a reason for consumers to be charged directly for them.

The party that AEMO is incurring the costs for should be the party that is charged – or in terms of the formal principals – fees charged to a registered participant should be reflective of the extent to which the budgeted revenue requirement for AEMO involve that registered participant. It is up to that party e.g. generator or retailer, to decide how much of the fee they wish to reflect in their wholesale or retail price offers to our members. The flawed logic of charging consumers first is no different to the flawed logic of saying because consumers may ultimately bear the coal or gas fuel costs of a generator, consumers should pay those fuel costs.

PERIOD OF THE FEE STRUCTURE

Given the likely significant changes resulting from the post 2025 NEM reforms, the EUAA supports any new fee structure applying until 20th June 2025. A review should be undertaken ahead of that date and when the post 2025 market structure is clearly understood, to set the fee structure from 1 July 2025.

ATTRIBUTION OF COSTS BETWEEN CATEGORIES

Unallocated costs:

The Paper says that:

“The current apportionment of the budgeted revenue requirements is 70% to allocated costs and 30% to unallocated costs...” (p.15)

The paper implies (Fig 2) that this % will “...be determined through AEMO’s cost allocation survey” but no further information is provided on when this will occur and whether stakeholders will have an input. In the absence of this, we look forward to this data being provided to assist us coming to a view on the questions asked in the Paper.

Then the Paper says that:

“Unallocated (indirect) costs are costs which cannot be readily allocated to a particular participant category or function (e.g. corporate overheads) and based on principles of economic efficiency having regard to the NEO, are fully recovered from Market Customers.”

Without providing any explanation of these principles of economic efficiency.

We understand the concept of costs that are difficult to allocate to any one particular party e.g. the costs of AEMO offices. We do not understand how that is then efficient to allocate all of those costs to market customers. Surely all participants benefit from these overhead costs and on the basis of NEO efficiency they should be shared across all market participants in a structure similar to the shared of allocated costs.

New categories of Registered Participants:

We support the proposal to expand the categories of participants from which AEMO will recover fees. Any participant in the electricity markets (energy and ancillary services) that AEMO administers should contribute to the recovery of NEM charges in addition to any connection/registration fee that would pay. This will include any participants in new markets that are being established e.g. Demand Response Service Providers in the wholesale demand response market.

We also support new categories of Registered Participants that enter during the fee period to be subject to market fees from when they begin trading. These entities will be seeking to derive income from the market and should pay a fair share of the costs of their participation.

Allocated fees:

The Paper describes the methodology for attributing the allocated costs between Generator/MSNPs and Market Customers as basically an internal AEMO discussion. We think this is not consistent with best practice stakeholder engagement which would involve a transparent public consultation process to provide input into the attribution decision.

ENERGY CONSUMERS AUSTRALIA FEES

We agree with a continuation of the current approach of recovering ECA fees from NEM customers on the basis of a charge per connection point for small customers. This provides a direct relationship between the beneficiaries and the costs.

Thank you for the opportunity to provide feedback. Do not hesitate to be in contact should you require any clarification.

Sincerely,



Andrew Richards
Chief Executive Officer