

AEMC – DRAFT OPPORTUNITY COST METHODOLOGIES

13 OCTOBER 2023

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, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under AEMC's Draft Opportunity Cost Methodologies Consultation Paper for Claimants Snowy Hydro Ltd and Sunset Power International Pty Ltd (trading as Delta Electricity).

The EUAA generally supports claims for lost revenue by energy market participants during periods of market intervention where the claimant can demonstrate that:

- There is a genuine limitation to the claimants output capability or capacity due to a proven technical or commercial limitation that results in reduced revenue through the market intervention period, i.e. the claimant was unable to trade using its preferred strategy of maximising revenue;
- That there is evidence of the quantity and price components of the claim that demonstrates the claimant is avoiding making excessive profits during market interventions.

The EUAA has examined all of the publicly available documentation associated with the AEMC's Consultation Paper and agrees with the AEMC's current views on the opportunity cost claims during the administered price period in June 2022 from both Snowy Hydro and Delta Electricity.

To avoid confusion, the EUAA agrees with the AEMC that:

- For Snowy Hydro's claim:
 - Snowy Hydro has provided sufficient evidence of a limitation of output due to their water license conditions and that the market intervention of June 2022 changed Snowy Hydro's trading strategy, thereby reducing revenue.
 - That Snowy Hydro's method for determining the quantity of the foregone opportunity is appropriate.
 - That Snowy Hydro's method for the price component of the claim, i.e. using short-run marginal costs of replacing hydro with diesel, has not been sufficiently evidenced to justify the AEMC to shift from the standard market-based mechanism for the calculation.
- For Delta Electricity's claim:

- Delta provided insufficient evidence that a technical or commercial limitation was occurring during the market intervention.
- That Delta’s methodology for determining the quantity of the foregone opportunity is appropriate.
- That Delta’s proposed methodology for the price component using a “hypothetical optimised generation profile” is unlikely to have been the actual generation profile had the market intervention not occurred and that the EUAA supports the use of the standard market-based mechanism for the price component calculation.

The EUAA supports good process, transparency and accountability supported by evidence. It is EUAA’s opinion that the AEMC’s current views presented in the Consultation Paper are appropriate for the documentation provided by the claimants. Should further evidence be provided by the claimants we would be happy to review our position.

Do not hesitate to be in contact should you have any questions.



Andrew Richards
Chief Executive Officer