

25 May 2022

Ms Anna Collyer
Chair
Australian Energy Market Commission
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Sydney NSW 2000

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Electronic lodgement: ERC0335

Dear Ms Collyer,

RE: ENA rule change request on Recovering the cost of AEMO's participant fees

AusNet welcomes the opportunity to respond to the AEMC's consultation paper on recovering the cost of AEMO's participant fees. We fully support the submission from ENA. This submission highlights a few AusNet specific issues:

- We included an operating expenditure (opex) forecast of \$6.5 million in our Transmission Revenue Review's Revised Proposal (2022-23 to 2026-27) for the recovery of AEMO's participant fees – this was approved by the AER.¹ As stated in our Revised Proposal, if ENA's rule change for the same fees is made as proposed (or made with substantially the same outcome), we will adjust our revenue recovery, either positively or negatively, to ensure that only the actual costs are recovered from customers.² That is, the rule change request if made, will not lead to double recovery.
- We consulted with AEMO on the forecast we included.³ However, since August 2021 when our forecast was developed, AEMO has published its draft budget for 2022-23 which has predicted its core NEM fees almost doubling between 2021-22 (\$105.6 million) and 2022-23 (\$198.5 million).⁴ This means the opex forecast that we developed 10 months ago, with input from AEMO, is now out of date and would leave us more than \$3 million out of pocket if the AER's revenue determination process is only mechanism by which cost recovery can occur. Our allocation of AEMO's participant fees (1.7%⁵) is the smallest of all the TNSPs, which means the potential for forecasting error across the other TNSPs is much larger – we estimate the error to be in the order of \$30 to \$90 million from 1 July 2023 to 30 June 2027 (4 years).⁶ The inherent difficulty in forecasting AEMO's fees makes the revenue determination process an inappropriate tool for cost recovery. This provides further support for ENA's rule change request, allowing AEMO's fees to be recovered via the price control mechanism.

¹ AER 2022, AusNet Services Transmission Determination 2022 to 2027, Attachment 6 Operating expenditure, Final decision, January, pp. 34-5.

² AusNet 2021, Transmission Revenue Review 2023-27, Revised Revenue Proposal, Public, 1 September, p. 98.

³ AusNet 2021, Transmission Revenue Review 2023-27, Revised Revenue Proposal, Public, 1 September, p. 98.

⁴ AEMO 2022, Draft FY23 Budget & Fees, and NEM 2025 Reform, Presentation to Finance Consultation Committee, 29 April, p. 25.

⁵ AEMO 2021, Electricity fee structures, Final report and determination, March, p. 18.

⁶ Upper bound estimate based on the other TNSPs having \$0 allowance in their Revenue Proposals – as is the case for Powerlink's 2022-27 revenue determination i.e., they are solely relying on ENA's rule change for cost recovery. Source: Powerlink 2021, Powerlink Queensland Revised Revenue Proposal 2023-27, November, p. 16.

We also note that there are no benefits to customers of having these costs come under an incentive regulation framework. TNSPs can't manage these costs and it would only increase the risk profile of TNSPs.

Please contact Angella Nhan (angella.nhan@ausnetservices.com.au) with any questions in relation to this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Hallam', written in a cursive style.

Tom Hallam
General Manager, Regulation
AusNet Services