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18 August 2022

Anna Collyer
Chair
Australian Energy Market Commission
Level 15
60 Castlereagh Street
Sydney NSW 2000

Lodgement: online

Dear Ms Collyer,

RE: Recovering the cost of AEMO's participant fees (direction paper)

AusNet welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC's) directions paper on Recovering the cost of Australian Energy Market Operator's (AEMO's) participant fees rule change. We fully support the submission from ENA. This submission highlights a few AusNet specific issues, some of which we have previously provided to the AEMC:

- We included an operating expenditure forecast of $6.5 million in our Transmission Revenue Review's Proposal (2022-23 to 2026-27) for the recovery of AEMO's fees – this was approved by the AER.[1] As stated in our Proposal, if ENA's rule change for the same fees is made as proposed, we will adjust our revenue recovery 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.
- The forecast we included was essentially sourced from AEMO and constituted the best forecast at the time.[3] However, since August 2021 when our forecast was submitted, 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 that within 12 months the original forecast is now wrong by almost 50% which leaves us more than $3 million out of pocket if the AER's revenue determination process remains the only mechanism by which cost recovery can occur. We expect further revisions to AEMO costs through our regulatory period will continue to worsen our cost recovery position.
- 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.

It is clear, both TNSPs and customers have very little or no control over AEMO's fees under existing governance arrangements, wishful thinking to the contrary aside. In the absence of pass-through protection, TNSPs will have to forecast large fee increases to protect themselves from cost recovery

[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.

risk (in essence an insurance premium) and customers will risk being left paying higher than actual costs. This is not an outcome in the long term interests of consumers, therefore, the best and most efficient outcome would be a cost pass-through to remove risks (and the need for an insurance premium) on both TNSPs and customers. This is standard regulatory practice around the world for costs that are completely outside of TNSPs' control, large, volatile, and difficult to forecast – AEMO's fees fit these characteristics.

Lastly, we agree with the position put in Network of Illawarra Consumers of Energy's (NICE) submission that charging participant fees to TNSPs is administratively inefficient – we support considering the option of amending clause 2.11 of the NER to prohibit the recovery of costs from NSPs. This would improve the cost reflectivity of cost recovery as TNSPs are not the causer of AEMO's increasing TNSP workloads, rather it is the transformation of generation.

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

Yours sincerely

Tom Hallam
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AusNet Services