



# SUBMISSION TO THE DIRECTIONS PAPER – RECOVERING THE COST OF AEMO’S PARTICIPANT FEES STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the issues that the Directions paper seeks feedback on and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to provide feedback on issues raised. This template is not exhaustive and therefore stakeholders are encouraged to comment on any additional issues or suggest additional solutions. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the directions paper.

## SUBMITTER DETAILS

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**DATE** 18/8/22

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## PROJECT DETAILS

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**NAME OF RULE CHANGE:** Recovering the cost of AEMO’s participant fees

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**PROJECT CODE:** ERC0335

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**PROponent:** Energy Networks Australia

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**SUBMISSION DUE DATE:** 18 August 2022

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### QUESTION 1- ARE THE CURRENT RECOVERY ARRANGEMENTS MORE APPROPRIATE THAN DIRECT COST RECOVERY??

<p>1. To what extent can TNSPs influence AEMO's costs, and the overall efficiency, of delivering functions for which AEMO charges them participant fees?</p>	<p>The new allocation of 18% of NEM core fees to TNSPs as of FY24 followed a survey of 23 AEMO Senior Managers to determine the time of interaction and involvement with each participant class. The AEMO Electricity Fee Structure draft report noted that as the NEM transitions towards increased DER and VRE, greater complexities are arising with operational, planning and forecasting systems, requiring greater levels of involvement with NSPs. We expect that TNSPs will be able to influence AEMO's costs by reducing the burden of these interactions. A TNSP can also influence AEMO's costs by encouraging AEMO to operate more efficiently. If these fees are passed directly to consumers, TNSPs will have no incentive to ensure that only efficient interactions with AEMO take place and that AEMO operate efficiently. Given FY24 will be the first year the allocation of NEM core fees to TNSPs will take place it should not be necessary to point to specific ways in which a TNSP may influence AEMO costs. What matters is that the incentive exists and the opportunity for TNSPs to be driven to reduce costs due to that incentive takes place.</p>
<p>2. Reflecting on submissions and the analysis above, do you think that there is a substantial issue with the current arrangements that warrants making ENA's proposed rule?</p>	<p>No. The allocation of AEMO's costs is based on the reflective of involvement principle and the proposed rule is contrary to the purpose of incentive-based regulation. While TNSPs face lower risk than other market participants, there is no basis for the idea that they should face no risk, and regardless the variance between expected and actual AEMO participant fees allocated to TNSPs will not represent a large cost for TNSPs.</p>

### QUESTION 2 - IS THERE BENEFIT IN MAKING NICE'S PROPOSED RULE?

<p>1. Do you agree with the position put in NICE's submission that charging participant fees to TNSPs is administratively inefficient?</p>	<p>We expect any administrative inefficiency will be minimal in comparison to the potential benefit of providing an incentive on TNSPs to influence the reduction in the fees.</p>
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### QUESTION 3 – AMENDING DEFINITIONS AND CLARIFYING ARRANGEMENTS BETWEEN CNSPS AND TNSPS

<p>1. Do you think it would be useful to amend the definitions of over-recovery</p>	<p>NA</p>
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**Stakeholder feedback**

Establishing revenue determinations for intending TNSPs

amount and under-recovery amount, and clarify transfer payment arrangements between CNSPs and TNSPs, as proposed by ENA?	
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**OTHER COMMENTS**

1. Please provide any further comments on this report.	NA
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**Stakeholder feedback**

Recovering the cost of AEMO's participant fees