AGL Energy Limited
T 02 9921 2999
F 02 9921 2552
agl.com.au
ABN: 74 115 061 375

Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065

Kevin Ly
Group Manager Regulation
Australian Energy Market Operator Limited
PO Box A2449
SYDNEY SOUTH NSW 1235

4 February 2021

Dear Kevin

AEMO Electricity Fee Structures draft report

AGL Energy (AGL) welcomes the opportunity to comment on the AEMO Electricity Fee Structures draft report.

AGL is one of Australia's leading integrated energy companies and the largest ASX listed owner, operator, and developer of renewable generation. Our diverse power generation portfolio includes base, peaking, and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy and provides energy solutions to over 3.6 million customers in New South Wales, Victoria, Queensland, Western Australia, and South Australia.

Term

We support AEMO's decision to retain the five year period for the next fee structure period from 1 July 2021, with a two year transition period for the allocation of core NEM fees. This should allow the following fee period commencing 1 July 2026 to account for any new participant categories arising from the NEM 2025 process.

Core NEM function cost allocation

AEMO has proposed maintaining the current percentage allocation of core NEM fees for two years from 1 July 2021. That is 54% to market customers and 46% to generators and Market Network Service Providers (MNSP) and new participant categories Small Generator Aggregators (SGAs) and Market Ancillary Service Providers (MASPs)/Demand Response Service Providers (DRSPs). From 1 July 2023 the allocation will change to 3% DNSPs, 18% TNSPS, 23% Market customers and 56% to generators, MNSPs, SGAs, and MASPs/DRSPs to reflect the results of a survey of 23 AEMO Senior Managers on the basis of time of interaction and involvement with specific participant classes. AGL would appreciate it if further detail regarding the survey were made available given its significant impact on the allocation of AEMO's fees. We note that our preference would be for a rigorous allocation framework and methodology, and assessment of financial accounts, rather than a survey of senior managers.

While the new allocation of core NEM fees to TNSPs and DNSPs may have the benefit that these participants will be incentivised to utilise AEMO resources more efficiently, we suggest AEMO explore opportunities to ensure that these fees are not inflated by the NSPs through their five year regulatory cost recovery period. We note that AGL was one of the 8 of 10 respondents to the initial consultation who held concerns that allocation of core NEM fees to NSPs may lead to increased administrative costs associated with NEM fees being passed onto consumers.

Generator charging

We support AEMO's decision to recover core NEM costs from SGAs and MASPs/DRSPS in addition to the recovery from generators and MNSPs as occurs under existing rules. We consider the inclusion of these new participants will ensure the recovery of core NEM fees will be more equitable by better reflecting involvement. We also support the continuation of the 50% capacity-based and 50% energy-based fee allocation for this category.

Market customer tariff

AEMO proposes to retain the existing method of allocating market customers fees based on actual energy consumer $/MWh for a two year transition period followed by a change to allocating fees on combined 50:50 $/MWh and $/NMI from 1 July 2023. While AGL considers the existing method appropriate, we do not hold concerns with the new more complex proposal as it may lead to a more balanced allocation for example between retailers with a large number of small customers and those with a small number of large customers. In regard to AEMO's assessment that charging AEMO fees on a $/MWh basis may lead to reduced consumption of electricity from the grid by consumers we do not consider the impact will be material since the fee is not charged directly to consumers and the imposition of the Default Market Offer and the Victorian Default Offer has blunted price signals.

NTP

We support AGL's proposal regarding National Transmission Planner fees, including the proposal by which TNSPs are levied based on their respective jurisdiction's consumption (per GWh basis) for the latest completed financial year, since development of the transmission network can have a broad benefit for all NEM participants and all customers, even if they are not located in the region in which the development occurs.

Electricity retail markets (Full Retail Competition)

We support AEMO's proposal to continue with the status quo option of recovering Electricity Retail Markets fees from Market Customers (continuing to exclude metering coordinators from recovery) and on a per connection point ($/NMI) basis.

5MS

We generally support AEMO's proposed allocation of 5MS costs, including the broad allocation of legacy costs, given the requirement in the rules that the allocation be reflective of involvement. We suggest however that AEMO consider whether the CAPEX and OPEX of 5MS might be allocated separately. We also suggest that in charging 5MS fees AEMO consider whether it might be possible to disclose information regarding the split of fees attributable to each of global settlement and 5MS. While the draft notes that the majority of respondents to the consultation supported recovery over 10 years, we suggest the final decision on this period should balance both the impact on participant cashflow and the cost of capital which will be lower if a shorter timeframe applies.

DER

We support AEMO's proposal to recover fees from the DER program as a separate function in the fee structure allocated to the relevant participant categories reflective of their involvement. However we consider the estimated recovery from market customers of 70-80% is very high and suggest that the separate specific allocation to MASPs/DRSPs on the basis of a fixed charge to recover a reasonable percentage of the wholesale demand response establishment costs should be higher than 10% as they are the direct beneficiary of the program. While we understand that too high a cost on MASPs/DRSPs may dissuade participation in this category we nevertheless suggest 50% may be a more reasonable percentage than the 10% proposed.

Cost recovery of the Digital and Regulatory Compliance programs

We support AEMO's proposal to allocate these fees across all participants.

Consumer data right

We support AEMO's decision to defer a determination on the recovery of the Energy Consumer Data Right program and look forward to future engagement on these issues. Consistent with our submission on the consultation paper we encourage AEMO to explore opportunities to allocate ongoing costs for maintenance and management of the Gateway and AEMO's role as a data holder to Government rather than energy industry participants.

Yours sincerely,

Chris Streets

Senior Manager Wholesale Markets Regulation