

16 December 2016

Mr Jack Fitcher
Chief Financial Officer
Australian Energy Market Operator AEMO
GPO Box 2008
Melbourne VIC 3001

Via email: jack.fitcher@aemo.com.au

Dear Jack,

Consultation Paper – Structure of participant fees in AEMO’s Electricity Full Retail Competition (FRC) market

AusNet Services is pleased to have the opportunity to respond to AEMO on the initial Consultation Paper regarding the structure of participant fees in AEMO’s FRC market released on 3 November 2016.

A full consultation on the structure of participant fees has only recently concluded in March 2016. The completed consultation determined FRC fees will continue to be charged on the basis of MWh energy consumed from all retailers from 1 July 2016 until 30 June 2019, and from 1 July 2019 on the basis of Market Customers paying per connection point.

We understand that as a result of recent Power of Choice reforms why a review of the structure of FRC market fees is being undertaken. However, we consider that the fundamental principles that have guided all previous FRC market fee determinations since market start have not changed from the approach of levying all fees on Market Customers.

What registered participants should pay FRC market electricity fees?

We support the approach to FRC market fees determined in the March 2016 consultation and recommend no change in the allocation of FRC market fees.

The proposed alternative allocations are, in fact, no more cost reflective of involvement than charging 100% of fees on Market Customers. Market Customers are authorised by customers to initiate requests through AEMO systems to metering parties and Distribution Network Service Providers (DNSPs).

DNSPs (and Embedded Market Managers) are facilitators of market services and do not usually initiate such requests on behalf of a customer. DNSPs appointed as the deemed Metering Coordinators are also facilitators of market services. In either case DNSPs are not beneficiaries of these market services, whilst the retailers are benefiting from the information and services provided by the DNSPs.

The implications of the alternative allocations would be DNSPs and Metering Coordinators eventually passing on FRC market costs to the retailers and hence the customers. The process of the DNSP or the Metering Coordinator passing this cost to the retailer and the retailer passing it on to the

customer is overly complex and inefficient. We agree with the Consultation paper's assessment that these alternatives are more complicated than the current process and require additional complexity to administer.

On what basis should FRC Fees be charged?

The March 2016 Determination on the fee structure determined that fees would be collected on a per connection point basis from 1 July 2019. We agree with this approach, noting it aligns with the equivalent fees in the gas market and also the recovery of fees to cover Energy Consumer Australia's costs.

Staged Implementation

The Consultation Paper asks whether the implementation date for collecting fees on a per connection point basis should this occur earlier than 1 July 2019. AusNet Services would not support earlier implementation if fees are charged to other categories of registered participants who may need time to amend systems and contracts.

We would be pleased to discuss the matters raised in this submission with you. Please contact Justin Betlehem on 96956288 if you have any queries.

Yours sincerely,



Kelvin Gebert

Regulatory Frameworks Manager