



Notice

29 September 2020

Australian Energy Market Operator in-period funding application received

Publication of application for increased capital expenditure for Distributed Energy Resources Roadmap implementation costs

On 25 September 2020, the Australian Energy Market Operator (AEMO) submitted an application to the Economic Regulation Authority to approve an additional \$18.9 million forecast capital expenditure for the period to 30 June 2022. This funding is to carry out work allocated to AEMO under the [State Government's Distributed Energy Resources \(DER\) Roadmap](#).

Under the Wholesale Electricity Market Rules, the ERA has a role to review AEMO's expenditure and approve funding that meets the requirements contained in the market rules. AEMO's costs are ultimately recovered from market participants through market fees, which in turn are passed through to consumers. The ERA previously approved \$99.8 million in allowable revenue and \$65.8 million in capital expenditure for AEMO's activities in the Wholesale Electricity Market (WEM) for the current funding period; 1 July 2019 to 30 June 2022.

AEMO's application for additional forecast capital expenditure covers the following areas of expenditure for DER Roadmap activities:

- \$3.3 million for activities to technically integrate DER to ensure continued power system security and reliability in the WEM.
- \$2.2 million for activities to design, plan and implement how DER could participate in the WEM such as market design and planning legal and regulatory frameworks.
- \$1.3 million to undertake the planning necessary to implement a register of DER assets in the WEM.
- \$9.5 million to undertake a pilot project to test how DER can participate in the WEM.
- \$2.6 million for project management and shared resources across all four areas of expenditure.

Most of AEMO's requested additional capital expenditure, or \$14.4 million, is for resources. To give context, this covers approximately 19 to 21 full time equivalent internal positions and another 14 consultant staff allocated to DER Roadmap activities for the remainder of the funding period.

The DER Roadmap is part of the State Government's current WEM reform program. In 2019, when assessing funding for AEMO's WEM reform activities, the ERA established that:

- It has no discretion to determine whether proposed WEM reform projects or activities are a prudent and efficient means to deliver AEMO's obligation.
- It cannot approve part of AEMO's proposed WEM funding request. For example, the ERA cannot approve one year of funding, and ask for further information on future spending as the WEM reforms progress.

Recent changes to the market rules further limit the ERA's review and discretion when approving funding. Under the changes, the ERA cannot take into account allowable revenue and forecast capital expenditure already approved for the funding period when assessing AEMO's application for additional funding.

The ERA has 45 business days to review AEMO's application and make its decision. It can request follow-up information from AEMO up to two times as part of this process. The 45 business day timeline may be extended to account for the time AEMO takes to provide any follow-up information requested by the ERA.

The ERA expects to ask AEMO to demonstrate how it had sought to achieve the lowest practicably sustainable cost of delivering the services and performing the DER Roadmap actions. The ERA will also consider AEMO's forecast additional costs against the costs of providing similar services, where comparable, to ensure consistency.

Due to the short timeframe for this project, the [ERA has published AEMO's application](#) immediately upon receipt, so that market participants have as much time as possible to review the application and prepare any submissions to the ERA.

The ERA expects to publish a draft decision for consultation in late October 2020.

Further information

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