

Ms Sara O'Connor  
Economic Regulation Authority  
Submission website: <http://www.erawa.com.au/consultation>

24 November 2020

Dear Sara,

**AEMO AR5 in-period funding request for DER implementation**

SSCPH welcomes the opportunity to provide comment on the Authority's consultation process. As has been a common theme to previous submissions on AEMO funding, market fees and the cost of operating the WEM in general, SSCPH again reiterates its position that such costs have grown excessive relative to the benefit they provide a small and uncomplicated market such as the WEM.

SSCPH believes it is unfortunate that recent changes to the Market Rules, passed without consultation with those participants that fund the WEM, serve to constrain the Authority's ability to properly regulate the WEM<sup>1</sup>. It would appear a clear conflict of interest for government to instruct AEMO to implement a circa \$10M VPP trial involving two government owned corporations (Synergy and Western Power), to be funded by industry<sup>2</sup>, without any regulatory oversight as to the appropriateness of such actions.

While the Authority can only determine whether AEMO's cost for implementing the DER roadmap are prudent, there is no ability to review the prudence of the proposal in the first place. The Authority advises that AEMO will deploy an additional 20 staff plus 14 external consultants to implement the DER roadmap. This is in addition to 125 full time staff employed at AEMO. The Authority forecasts that WEM fees will continue to rise to be \$3.00/MWh by the end of AR6 (2024/25), or equivalent to approximately \$55Mpa. All of these numbers are extraordinary. It is not lost on SSCPH that increasing fees are being levied in increasing proportion to incumbent participants in a simplistic allocation methodology that has not been fit-for-purpose for some time. At the very least, notwithstanding the requirement for a proper evaluation of the cost-benefit of the WEM itself, this allocation methodology must be reviewed in time for the AR6 period.

Specifically relating to AEMO's AR5 in-period funding request, SSCPH generally agrees with the Authority's (implied) observations that AEMO is overly conservative with its costings and contingencies. Unfortunately, under the existing regulatory oversight regime whereby a government policy body determines a preferred course of action; and an unaccountable operational entity is given a blank cheque to implement it, then conservatism or 'gold-plating' in the delivery is to be expected and should be challenged by the Authority.

Sincerely,

  
Shane Cremin  
GM Strategy & Commercial

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<sup>1</sup> Wholesale Electricity Market Rules (WA), 7 August 2020, Rules 1.20 and 1.20A.

<sup>2</sup> Along with Synergy, which as a market participant meets its share of costs.