



# Notice

17 December 2020

## **Australian Energy Market Operator in-period funding for Distributed Energy Resources Roadmap activities Determination**

The Economic Regulation Authority has published a [determination report](#) on the Australian Energy Market Operator's request for \$17.9 million forecast capital expenditure to cover new obligations to implement actions identified in the State Government's Distributed Energy Resources Roadmap.

The ERA has approved \$14.6 million forecast capital expenditure to be added to the Australian Energy Market Operator's (AEMO) budget, after reducing some of the proposed labour and contingency costs.

AEMO can recover approved expenditure from market participants through market fees and these costs are ultimately passed through to consumers. The approved funding is expected to increase market fees by around four per cent above projected fees for the next funding period, 1 July 2022 to 30 June 2025.

The ERA's determination focussed on the incremental costs that AEMO will incur from its new obligations under the Distributed Energy Resources (DER) Roadmap – that is, just the additional costs that AEMO will incur from implementing DER actions that need to be recovered through market fees.

The ERA has approved \$12.7 million of AEMO's proposed \$13.7 million forecast staff costs. The ERA has not approved AEMO's method of forecasting these costs, based on a five tier unit rate approach rather than its actual WEM staff costs.

The ERA has also not approved the \$2.3 million forecast capital expenditure AEMO proposed for project contingency. Most of AEMO's DER expenditure is for staffing, and most of this for existing staff. Therefore, the ERA is of the view that this is a relatively low risk project, and any over-spend could be covered by the 10 per cent that AEMO is already allowed to spend over its approved amount under the market rules.

### **Background**

On 29 September 2020, the ERA published AEMO's application for \$18.9 million forecast capital expenditure for its DER roadmap activities along with a notice explaining the process the ERA would take to review the proposal. AEMO subsequently reduced its proposal to \$17.9 million.

On 9 November, the ERA published a [draft findings report](#) that focussed on estimated labour costs and the application of previous regulatory decisions to AEMO's proposed property and contingency costs. The ERA received [submissions from six stakeholders](#), including AEMO, in response to the draft findings report and has taken this feedback into account in its determination.

The ERA had 45 business days to make its determination and could make two requests for additional information from AEMO through the process. The ERA could not take into account any funding already approved for the current period when making its determination on DER funding.

### **Further information**

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