



Notice

9 November 2020

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

Publication of draft findings report

The Economic Regulation Authority has published a draft findings report on the Australian Energy Market Operator's (AEMO) request for \$18.9 million forecast capital expenditure to cover new obligations to implement actions identified in the [State Government's Distributed Energy Resources \(DER\) roadmap](#).

This [draft findings report](#) focusses on estimated labour costs and the application of previous regulatory decisions to AEMO's proposed property and contingency costs.

The ERA has used additional information received from AEMO on 15 October, along with the ERA's own analysis, to prepare the draft findings report. The ERA's initial observations cover:

- AEMO's proposed unit labour rates for internal resources, existing staff and new contract hires.
- Regulatory decisions from the ERA's final determination on AEMO's funding for AR5 on property and project contingency costs.
- The creation of intangible assets, such as intellectual property, through AEMO's DER activities and how these future benefits can be offset against the costs passed through to customers in the Wholesale Electricity Market.

To make its final determination, the ERA will consider the quantity of labour that AEMO has identified as necessary to deliver the DER roadmap actions, the proposed external labour unit costs, proposed hardware and software costs, and proposed travel and financing costs. The ERA has sent a second set of questions to AEMO on these topics.

In total, 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. In accordance with this timeline, the ERA will publish its final determination in mid-December 2020.

In its final determination, the ERA will consider AEMO's response to the second set of question and stakeholder feedback on the draft findings report.

Background

On 29 September 2020, the ERA [published AEMO's application](#) for \$18.9 million forecast capital expenditure for its DER Roadmap activities.

Under the Wholesale Electricity Market Rules, the ERA has a role to review AEMO's expenditure and approve funding that meets the requirements in the market rules. AEMO's costs are ultimately recovered from market participants through market fees, which in turn are passed through to consumers.

In June 2020, the Minister for Energy amended market rule 1.20 to enable AEMO to request approval for additional funding from the ERA to recover the costs of undertaking DER activities.

The ERA's role is to determine whether AEMO's expenditure estimates for DER activities are consistent with costs proposed by a prudent provider of the services, acting efficiently and "seeking to achieve the lowest practicably sustainable cost of delivering the services."¹

Invitation for submissions

The ERA invites interested parties to make submissions on all aspects of AEMO's submission, including the points raised in the ERA's draft findings report.

Submissions close 4:00 pm (WST) Friday, 20 November 2020.

Submissions should be lodged online using the form on our website www.erawa.com.au/consultation.

Further information

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¹ Wholesale Electricity Market Rules (WA), 7 August 2020, Rule 2.22A.11(b)