

Chapter 3

International Experiences: The Australian Energy Market Operator Cost Recovery

This chapter should be cited as

Study team (2019), 'International Experiences: The Australian Energy Market Operator Cost Recovery', in Noord Pool Consulting (eds.), *Study on the Formation of the ASEAN Power Grid Transmission System Operator Institution*. ERIA Research Project Report FY2018 No. 24, Jakarta: ERIA, pp.15-16.

Chapter 3

International Experiences:

The Australian Energy Market Operator Cost Recovery

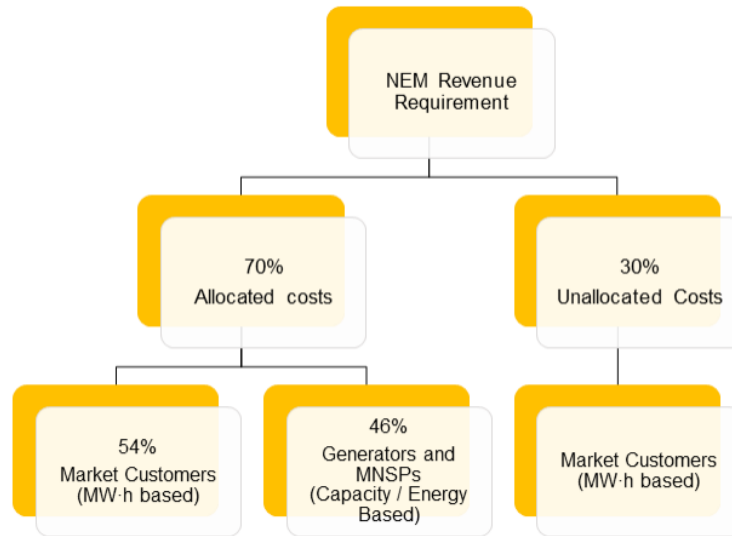
The Australian Energy Market Operator (AEMO) is an independent organization working for the long-term interests of Australian energy consumers by developing markets that offer affordable, safe, and reliable energy supplies. AEMO carries out the electricity functions previously undertaken by the National Electricity Market Management Company for the national electricity market (NEM) and the planning responsibilities of the Electricity Supply Industry Planning Council of South Australia. Within the functional work stream, the organizational structure distinguishes three types of organizational roles: (i) day-to-day operations, (ii) short-term market development and transmission services, and (iii) long-term strategic planning. These distinctions reflect the shared focus of operations within each energy market that enables the integration of common services to allow their efficient delivery to multi-market participants. Currently, there are approximately 500 employees within the AEMO organization, including those in the gas business.

In Australia, AEMO operates on a cost recovery basis as a company limited by guarantee under the Corporations Act (2001). AEMO fully recovers its operating costs through fees paid by participants. AEMO has a broad range of functions and each is underpinned by a fee structure developed in consultation with stakeholders and in line with requirements under the National Electricity Rules.

The NEM fees are calculated in accordance with the current NEM fee determination that became effective for a 5-year period from 1 July 2011 to 30 June 2016. In summary, the NEM fee determination requires the annual revenue requirement to be allocated as follows:¹⁰

¹⁰ See the AEMO consolidated final budget and fees for 2016–2017

Figure 4. AEMO Revenue Recovery Model



MNSPs = Market Network Service Provider, MWh = megawatt hour, NEM = national electricity market.

Source: Australian Energy Market Operator (AEMO), n.d.

Table 3. AEMO Revenue Requirement and Fee Schedule ¹⁰

Function	Budget 2015-16 \$'000	Rate ¹	Paying Participants
NEM			
General Fees (unallocated)	20,053	\$0.11258/ MV-h of customer load	Market Customers
Allocated Fees			
- Market Customers	25,267	\$0.14185/ MV-h of customer load	Market Customers
- Generators ² and Market Network Service Providers	21,524	Daily rate calculated on 2014 capacity/ energy basis	Generators and Market Network Service Providers
Participant Compensation Fund	Nil	Daily rate calculated on capacity/ energy basis	Scheduled Generators, Semi-Scheduled Generators and Scheduled Network Service Providers
Registration fees	280	Refer to Electricity schedule of registration fees	Intending Participants
Other	1,596		Dependent on service provided
TOTAL NEM	68,720		
FRC ELECTRICITY			
FRC Operations	6,474	\$0.04000/ MV-h of customer load in jurisdictions with FRC	Market Customers with a Retail Licence
Other	78		Dependent on service provided
TOTAL FRC ELECTRICITY	6,552		
National Transmission Planner	3,658	\$0.02054/ MV-h of customer load	Market Customers
Energy Consumers Australia	4,851	\$0.00976/ connection point for small customers/ week	Market Customers
Additional Participant ID		\$5,000 per additional participant ID	Existing Participants

[1] All fees and rates are exclusive of GST

[2] Excluding non market non scheduled generators

FRC = Full Retail Contestability, MWh = megawatt hour, NEM = national electricity market, NI = not indicated.

Source: Australian Energy Market Operator (AEMO), n.d.