



Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

28 January 2021

Submitted Electronically

Re: Inquiry into Auditor-General's Report No. 5 (2020-21) Regulation of the National Energy Market

Reposit Power thanks the Joint Committee of Public Accounts and Audit for the opportunity to comment on the Auditor-General's Report No.5 2020-2021 into the Regulation of the National Energy Market (NEM).

Reposit Power is a Registered Market Participant in the National Electricity Market (NEM) and has been active since 2013. Reposit Power controls several thousand residential batteries to participate in a variety of NEM markets and services.

Beginning at market start in the late 1990's the NEM had been well served by a regulatory regime that promoted market operator efficiency and regulatory certainty. Market body roles were clear and well respected creating a consistent, predictable and transparent regulatory environment. This served to lower the barriers to entry for competition to enter the market with new technology and new business models. Reposit Power was one of the beneficiaries of this strong regulatory environment between 2013 and 2016.

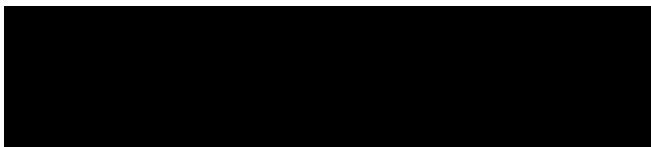
Since 2016 however, the NEM 's regulatory environment has been eroded by inefficient regulation of the Australian Energy Market Operator (AEMO). This has forced Reposit Power and other Market Participants to invest heavily in alternative means by which to gain some regulatory certainty and to attempt to improve market operator efficiency. This investment is inefficient against the National Electricity Objective and ultimately leads to higher electricity costs for electricity consumers.

The findings of Report No. 5 20/21 in regard to the performance of the Australian Energy Regulator's (AER) regulation of AEMO are consistent with the lived experience of Reposit Power. That is, the AER is not an effective regulator of AEMO in matters of reliability, security or NER compliance. The inefficiency created by ineffective regulation of the natural monopoly market operator is difficult to quantify. It is significant to the Australian economy however with the Auditor-General calculating that AEMO enabled \$20 billion in generator revenues in 2018-19. It is natural to expect that inefficiency in a market operator facilitating \$20B of economic value annually will negatively impact electricity consumers.

The attached information sheet distills the Auditor-General's findings relevant to the AER's regulation of AEMO into an actionable document. The intent is to assist the committee in considering the importance of renewed regulation of the market operator. Reposit Power asserts that the AER is best placed to fulfill this role once unequivocally empowered to do so.

Reposit Power is available to the Committee to discuss this submission in more detail where required.

Sincerely,



Dean Spaccavento
CEO, Reposit Power

The **AER** is the Australian Energy Market Operator's (**AEMO**) **regulator**. In FY20 AEMO facilitated \$13.2B¹ of energy transactions. The AER's role in keeping AEMO **efficient** is critical to our **economy** and **quality of life**.

2015 – 2020

8%²

Increase in
consumer demand
(pre COVID)

3

Nationally significant
and avoidable security lapses:

1. 2020 – 17 day SA separation⁵
2. 2018 – QLD+SA separation⁴
3. 2016 – SA blackout³

104%^{7,8}

Increase in
labour costs

87%

Decrease in
grid
security and
reliability⁶

15%²

Increase in
generation
fleet

ANAO Report Findings

(references to Auditor General Report No. 5 20/21)

- AER is not active in regulating AEMO to promote efficient wholesale energy markets
 - table 2.1 (D)
- AER is not regulating AEMO to improve reliability and security
 - paragraph 3.63 and 3.65
- AER performance metrics for AEMO are inadequate to promote security and reliability
 - paragraph 3.64
- AER does not review economic effects of AEMO actions on reliability and security
 - paragraph 3.61
- AER generally ignores its statutory role to enforce AEMO obligations
 - paragraphs 3.60 and 4.13 and table 4.5
- AER requires AEMO cooperation to gain access to key compliance intelligence information – table 4.1
- Compliance and enforcement activities have the greatest impact on reducing non-compliance
 - paragraph 5.1

What can be done?

- Issue an efficient “Statement of Role” for AEMO⁹
- Explicitly state in the Treasurer’s “Statement of Expectations” that part of the AER’s role is to regulate AEMO – paragraph 2.33
- Request a Productivity Commission report into AEMO governance following on from Australian Energy Council report¹⁰
- AER oversight of AEMO Fees Determination process currently in progress¹²
- Clarify National Electricity Law to make AER powers over AEMO explicit in National Electricity Law¹¹
- AER Compliance Advisory and Triage Committee to be supported by a newly created market operator compliance subcommittee – paragraph 5.24
- Remove possibility of AER regulatory capture by AEMO through guaranteed access to market data used for AER regulatory purposes
- AER’s statement of purpose to specify the active promotion of the National Electricity Objective



AEMO
AUSTRALIAN ENERGY MARKET OPERATOR

External References

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11. National Electricity Law - Part 3, Division 1A, 18C(1)
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