

16 July 2020



Andrew Pirie
Senior Advisor
Australian Energy Market Commission

Submitted via email.

Dear Mr Pirie,

Submission concerning compensation for services other than energy and market ancillary services rule change

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to make a submission regarding a rule change to alter how affected participants are compensated for services other than energy and market ancillary services.

PIAC broadly supports the rule change, which we consider will benefit consumers by reducing the administrative cost of the compensation process for increasingly common directions for non-energy services. We consider the rule change will have limited impact on household consumers' bills as it updates the process for parties to apply for and be granted compensation and does not seek to change the types of directions for which parties may be compensated.

PIAC supports the proposed assessment framework for considering the rule change. We consider this approach balances reducing unnecessary administrative costs with ensuring there are adequate incentives for the provision of non-energy and market ancillary services. In addition to the proposed criteria, we recommend the rule-change is also assessed with regard to whether costs are allocated to those who benefit from them.

Under this 'beneficiary-pays' principle:

- Where there are multiple beneficiaries, the costs should be recovered proportionally to their share of the benefits.
- Where it is not practical and transparent to identify the beneficiaries and measure the benefits, a causer-pays approach should be used.

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- Cross-subsidies should only be permitted where they are accepted by informed preferences of the providers of that subsidy, or where they are immaterially small.

We support the AEMC's proposal to amend clause 3.15.7A to allow the independent expert to consider 'loss of revenue and net direct cost' information. This enables directed participants to claim 'additional compensation' within the 1-step process, ensuring they are left 'whole' following directions and encouraging the continued adequate provision of services.

As alternative pricing methodologies have not had a material impact on previous compensation outcomes, we do not consider it necessary to include them in determining the 'fair payment price' (FPP). We welcome further consideration of this issue.

We support a move towards assessing compensation claims in house by AEMO. Independent experts can be costly and over-reliance on them may discourage AEMO from building its own expertise and capacity. Claims assessed in-house by AEMO should be subject to the same level of transparency as those assessed independently.

We stress any compensation process should be transparent and consistent, reduce unnecessary costs to consumers, and not discourage the adequate provision of necessary services.

We welcome the opportunity to discuss this matter in further detail with the AEMC.

Yours sincerely

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