



28 August 2020

Ms Audrey Zibelman
CEO and Managing Director
Australian Energy Market Operator

Lodged by email: stakeholderrelations@aemo.com.au

Dear Ms Zibelman,

RENEWING AEMO'S ENGAGEMENT MODEL: OPTIONS PAPER

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in renewable energy and energy storage along with more than 7000 solar and battery installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC welcomes the opportunity to comment on the Australian Energy Market Operator's (AEMO's) options paper in relation to renewing AEMO's engagement model. The CEC appreciates AEMO's efforts to improve its stakeholder engagement. Given the proliferation of AEMO forums and working groups, we support the review and rationalisation of these in to order to enable more targeted industry participation, collaboration and cooperation that better meets both the needs of AEMO and stakeholders. In light of this, the CEC raises two key points that frame the remainder of our submission.

Firstly, the options paper considers that the electricity-gas and wholesale-retail distinctions have begun to blur and many participants are now vertically integrated across technologies and markets. While this is the case for a number of participants, it is overly simplistic as it is not reflective of the majority of participants and assumes that the historical trend towards vertical integration will continue. In the electricity market, the number of participants has grown significantly in recent years due to the development of new renewable energy projects across the country. The majority of these new market participants are solely focused on the wholesale electricity market, with no experience in the gas and/or retail areas and limited interest in expanding into these areas. As a result, the CEC considers separation in terms of technologies (electricity and gas) and markets (wholesale and retail) should remain.

Secondly, these new participants tend to be significantly smaller in size compared with vertically integrated incumbents. As a result, they have limited resources to participate in various forums. In addition, as relatively new market entrants they are less established than incumbents and therefore are more likely to be unintentionally overlooked in favour of incumbents. It is important that representatives on forums reflect the true range of views in industry. Given this, AEMO should ensure that the structure of its engagement model ensures equal representation from across industry.

STRUCTURE AND GOVERNANCE

Option 1 – uplift business as usual

The CEC supports this option to uplift business as usual as the minimum that should occur. We see value in further evolutions of the engagement model, but consider more work is needed to incorporate our above mentioned points.

Option 2 – uplift and realign business as usual

Under this option, AEMO proposes to build on option one with the additional alignment of the forums and working groups under four subject matter streams – operations, planning, markets, and Western Australia. The CEC is broadly supportive of the four streams but considers these should continue to be separated by technology and market, as discussed above.

Option 3 – uplift and realign, with co-chaired strategic oversight

This option proposes to introduce a new strategic layer – a CEO Roundtable and co-chaired Executive Advisory Panels. We understand that both the CEO Roundtable and Executive Advisory Panels are intended to allow for strategic discussions, prioritisation and collaboration. The CEC believes these new forums could be beneficial for stakeholder engagement but given they will inevitably canvass issues outside of AEMO's operational and planning functions, such as industry vision, priorities and potential reforms, they should include representatives of the Australian Energy Market Commission (AEMC), Australian Energy Regulator and Energy Security Board.

Transparency is critical under this option. This should occur through appropriate cross-industry representation and clear and consistent communication of meeting agendas, discussions and outcomes for all industry. As a result, the CEC believes the best means to deliver this is through the participation of the three key industry associations, namely the Australian Energy Council (AEC), Energy Networks Australia (ENA) and the CEC. The vast majority of market participants are members of at least one of these three associations. We note that consumer representatives are an equally important contributor to these forums but we do not hold a particular view as to whether their membership should be selected through a similar process with consumer representative organisations.

Through the participation of industry associations, AEMO can be assured that the representatives can genuinely speak on behalf of their peers and will feedback and consult with the association's broader membership.

CEO Roundtable

The CEC opposes membership of the CEO Roundtable being limited to invitation only as was the case with the AEMO Expert Panel that was formed to support AEMO to implement recommendations from the Finkel Review. AEMO should give thought to whether the CEO Roundtable could be open to one senior representative of each registered AEMO member. This would ensure strong transparency and equality of access.

If AEMO considers such an approach unworkable, transparency and cross-industry representation are critical. If the membership of the CEO Roundtable is limited, we recommend that the CEOs of the AEC, ENA and CEC should be members of the CEO Roundtable.

Executive Advisory Panels

The CEC is concerned that the limited membership of the Executive Advisory Panels could exacerbate our earlier mentioned concerns that smaller and newer participants in the market could be unintentionally overlooked in favour of incumbents. As a result, the CEC believes the best means to address this concern is through a variation on AEMO's selection option three – industry associations

nominate members for election. Nominations from industry associations are frequently used by AEMO (e.g. the National Electricity Market Operational Committee) and other market bodies (e.g. the AEMC's technical working groups for rule changes and market reviews) as an effective and streamlined process to seek industry representatives.

The CEC notes that AEMO intends that following industry association nominations, AEMO would then run a full election process among its stakeholders to appoint the final members to each forum. We consider this an unnecessary step as the industry association nominations should be sufficient to confirm representatives that have been selected by their peers. The remainder of the forum's membership could then be filled with consumer representatives and others at AEMO's discretion appropriate to the particular forum.

It should be noted that the industry association nomination process should only be for forums in which the industry association has an interest. For example, the CEC would not expect to nominate for a forum focused on gas market matters (noting this may change as the renewable hydrogen industry develops).

The options paper comments that AEMO would not accept nominations for employees of industry associations since not all market participants are members of industry associations. The CEC disagrees with this. Firstly, the purpose of an industry association is to represent industry. As such, industry association employees are well placed to represent industry including those market participants that are within their segment of industry but may not be members. In the case of the CEC, we have over 800 members and so CEC employees are more likely to be a trusted representative of the renewable industry sector than a market participant that is not a member of the CEC.

Secondly and more importantly, a large number of our members are smaller businesses that may not have the resources to dedicate to AEMO's forums. This is a key reason that they are members of the CEC; because they look to us to represent them when they are unable to do so themselves. In order that the views of these types of market participants can be represented in AEMO's forums, there should not be a restriction on the participation of industry association employees on these forums.

WORKING GROUPS

The options paper only briefly discusses working group, proposing three working group tiers – strategic, transient and functional. The CEC broadly supports this approach as a means to consider the rationalisation of AEMO's current forums and working groups. We do not, however, consider a one-size-fits-all approach to working groups is appropriate or practical. For example, we caution that AEMO's suggestion that all working groups will operate for a defined period may not be suitable in all circumstances. Similarly, membership to all working groups should not be unrestricted nor through industry association nomination in all instances.

As with the structure and governance above, transparency around agendas, discussions and outcomes of working groups is necessary. An online calendar that clearly identifies all meeting dates would also be beneficial.

Thank you for the opportunity to comment on this consultation. If you would like to discuss any of the issues raised in this submission, please contact me, as outlined below.

Yours sincerely,



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