



Major Energy Users Inc.

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Comments on

Proposed Australian Energy Market Operator

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1. Introduction

The Major Energy Users Inc (MEU) welcomes the opportunity to provide its views on the governance arrangements for the proposed Australian Energy Market Operator (AEMO). The MEU supports the establishment of AEMO as the single energy market operator for both electricity and gas; it will also incorporate the National Transmission Planning function for electricity and possibly the functions of other bodies, such as the Electricity Supply Industry Planning Council.

At the outset, the MEU notes that whilst it has participated in the Working Group advising the Standing Committee of Officials (SCO) to the Ministerial Council on Energy (MCE), and agrees with many of the issues surrounding AEMO and its structure, operations and functions, there are strongly held divergent views by the MEU on a number of issues, specifically in relation to the ownership structure of AEMO, and complex issues such as on the question of how to structure equity contributions, and the flexibility provided to AEMO in extending its prescribed functions.

The MEU also strongly recommends caution against the literal understanding of the paper's references to "consensus" of views amongst Working Group participants, given the clear slant in the representation of the Working Group in favour of energy supply sector representatives, relative to end user and consumer representation.

The MEU notes that ultimately consumers will pay for the operations of AEMO and care is needed to avoid causing large imposts on consumers, especially as some activities proposed for AEMO are currently funded through consolidated revenues, rather than via fees paid by consumers.

The MEU's views and commentary follow the structure of the consultation paper.

2. AEMO Expected Functions

The MEU agrees with the proposal for AEMO to subsume or assume the functions of the following:-

- NEMMCO
- VENC Corp
- GMC
- REMCo
- Gas Market Bulletin Board
- Short term gas trading market
- National electricity transmission planning

In addition, the MEU supports AEMO providing:-

- Support for gas emergency management for NGERAC
- Management and support for FRC in the various State and Territory jurisdictions.

Finally, the MEU supports the assumption by AEMO of functions currently provided by the WA IMO and SA ESPIC.

The integration of all the above functions by the AEMO will provide for national consistency and more effective and efficient management of electricity and gas operations.

2.1 MCE directions

MOWG seeks comment on the desired scope of powers of direction for the MCE to request AEMO to undertake reviews.

In general, the MEU considers that AEMO must be independent and not subject to undue influence by any external party e.g. the energy supply sector, government, or end-users. The electricity and gas Laws and Rules must therefore prescribe AEMO's role and functions, including the governance arrangements. AEMO must be required by statute to be independent, transparent, and accountable.

However, because fundamentally, the supply of electricity and natural gas are essential services, there will be occasions when the **public interest** requires governments to request AEMO to do certain things. In the case of the management of emergencies e.g. electricity and gas interruptions or blackouts, there are already statutory requirements setting out the scope of powers for governments to intervene. Even the energy transmission planning function must be considered to be a "public interest" function as energy transmission is the basic tool to provide wider competition between energy supply points in the national network.

The MEU has a similar view that there is a **public interest** element in relation to the Rule making (and the associated fast track review process) that AEMO will be responsible for performing.

The MEU considers that there is merit in providing the MCE with **additional powers** to direct AEMO to undertake reviews, similar to the COAG direction recently given to NEMMCO to undertake a review of the electricity market as a consequence of the drought. These powers to direct AEMO should also ensure that all reviews be conducted transparently and reports made public (bearing in mind that certain jurisdictions are also owners of energy assets).

Because directions by Ministers may involve material cost for AEMO, provision must be made so that there is scope for AEMO to require that that costs incurred in undertaking such reviews must be requested by MCE (or other statutory body) and borne by the party requesting the review. While it is acknowledged that the costs will ultimately be levied on the beneficiaries of such review, it is important that there be a transparent process for controlling such reviews.

MOWG seeks comment on potential rules to govern the most appropriate allocation of costs particularly between governments and market participants including in circumstances where information is requested by government and is valuable and subsequently made available to the wider market.

The MEU is conscious that consumers will ultimately pay for the on-going operating costs of AEMO and is therefore keen to reasonably minimise costs for extraneous activities that may be incurred by AEMO arising from externally directed requests. Against this concern, the MEU believes that the costs for any request for review with an estimated cost in excess of \$20,000 must be met by the requesting party. In the case of the example cited by MOWG in relation to the request for **information**, the MEU believes that **information** is a **public good** (and the beneficiaries include entities other than energy consumers) and should be paid for by the public (indirectly in this case via governments) rather than by gas and electricity consumers alone.

2.2 Possible Future Functions

MOWG is seeking stakeholder views on whether AEMO should be provided with the capacity to add additional functions beyond those described earlier in this chapter.

The MEU remains very **cautious** on the issue of AEMO being provided with the flexibility to add additional functions beyond its prescribed role and functions.

In the MOWG discussions on this issue, some of the additional functions mentioned by energy supply representatives were a major cause for concern and MEU would argue for a firm “no” to this question. Consumers pay for the organisation and there will be considerable disquiet at exposing consumers to additional risks (and costs). AEMO’s potential liability insurance costs will be directly affected by the extent of flexibility it receives in terms of the capacity to extend its functions.

Some additional functions to be taken by AEMO could also have commercial implications (and impact on energy supply entities) and, as pointed out in the consultation paper, raise important questions of competitive neutrality and implications for the Section 46 of the Trade Practices Act 1974 (market power provision).

MOWG seeks comment on whether or not AEMO should be able to extend its functions and, if so, what conditions should apply – the existing conditions for NEMMCO are a useful base point.

The MEU is opposed to AEMO *by itself* being provided with the powers to extent its functions. However, there should be scope for AEMO to undertake additional functions provided:-

1. That it can be clearly shown there will be no negative impact on the performance of its core functions as provided in the Laws and Rules and that it can be clearly shown that AEMO does not use any funds provided for a different purpose (this requires close control of ring fencing of any new activities), and
2. Approval for the new activity being undertaken is provided by the MCE

The MEU is strongly opposed to AEMO performing any function for commercial gain. Consumers bear the cost of AEMO and are opposed to any (commercial) risk taking by AEMO which will expose consumers to additional risks (and costs).

2.3 Rule Development and Compliance Monitoring

MOWG seeks comments on the different approaches to rule making between gas and electricity and whether a continuation of the current approach to gas rule making should be allowed or whether the fast track process and categorisation of certain matters as procedures and guidelines provide adequate flexibility.

The MEU considers that any Rule making function of AEMO must be fully transparent and focused on the public interest. There is considerable concern that AEMO would automatically implement certain current practices.

For example, the MEU has totally disagreed with GMC's rule development function for NSW gas management, which is neither transparent nor accountable. Rule changes have not been exposed to wider public consultation, and GMC operations are largely non-transparent to non-gas supply industry participants or even to consumers. The absence of a jurisdictional regulator to oversight GMC is inconsistent with the objective of the NGL and NGR, which is that the operation of the market must be "...in the long term interest of consumers". Accordingly, the MEU is opposed to the continuation of the current approach to gas rule making, especially in the case of GMC. The MEU supports:-

1. the AEMC having the sole rule change function responsibility, consistent with the architecture for the national energy regime
2. AEMO being able to assist in Rule making by using a fast-track rule change process, provided it is transparent, consultative and accountable, and meets the requirements of AEMC
3. AEMO having to demonstrate that the wider public, not just relevant stakeholders (let alone existing shareholders) were consulted in order that the AEMC can accept the fast-track approach.

It is a fallacy to accept vested interests arguing that the above process will not be as efficient as existing arrangements and that it will reduce the effectiveness of gas market operation in this area.

As MEU represents major gas consumers in NSW (and other jurisdictions), we would argue that the current GMC process is non-transparent, unaccountable and does not pass the fairness test. There is no validity in having a process that by-passes wider public consultation and accountability.

In counterpoint to the GMC and REMCo (SA) processes, the VENCorp processes in Victoria do display considerable transparency and consultation as part of the Rule making process.

MOWG seeks reviews on whether these compliance and other quasi regulatory functions should be reviewed to determine whether they might be more appropriately undertaken by the AER as the energy market regulator.

The MEU considers that there is a need to have a uniform national regime for monitoring and compliance, i.e. the AER should have the role and responsibility for compliance monitoring and enforcement. Having AEMO and the AER sharing in responsibility not only increases transactions costs but results in duplication and confusion. NEMMCO's current responsibility in reviewing itself (e.g. on the Victorian electricity blackout) shows that a body reviewing itself is likely to be protective of itself and therefore any review will lack veracity and acceptability. This is clearly shown when comparing the NEMMCo review of an incident with the AER's review of the same incident.

3. AEMO Board

MOWG seeks comments on the proposed composition of the AEMO Board.

The MEU agrees with the following proposal (amended from the Consultation Paper proposal) for the AEMO Board:-

1. A chair, who will be an independent director and will not be drawn from the energy supply industry, either past or present.
2. 8 other notionally independent directors and one CEO (i.e. 10 directors including the chair).
3. The CEO will be appointed by the 9 other directors. Presumably, if the CEO is appointed from within the Board, than an additional independent director would need to be appointed.
4. The 9 independent directors will be selected by a director selection panel “based on a skills matrix”.
5. Of the 9 directors, a minimum of 3 and a maximum of 5 (not 6 as proposed in the consultation paper) should be drawn from “industry”. There must not be a **bias** towards appointing the majority of directors who may bring to the Board a sectoral association.
6. The chair and a minimum of 5 directors must be independent, in accord with ASX corporate governance principles.
7. The period of tenure of directors must be for a maximum of 2 three year terms.

MOWG seeks comments on the draft skills matrix to be used in the selection process for AEMO Board members.

MOWG also seeks comments on any process that may be necessary to refine the skills matrix over time. It is suggested that this be done only with the approval of the members of AEMO and be affected through a defined and consultative process.

The MEU concurs with the skills matrix as contained in Attachment F of the consultations paper. In particular, the MEU would require the skills matrix to continue to incorporate the requirement for (amongst the other skills traditionally associated with an energy market operator):-

“Experience in, and understanding of, the usage and issues of the various classes of consumer of gas and electricity, including an ability to develop competing positions into a hierarchy of needs.”

The MEU points out that one of the failings of the existing energy market operators is that there is a strong bias towards the supply side issues and a continuing failure to understand (even appreciate) the impacts of decisions made by the operators on consumers, regardless of size. We consider it essential that AEMO must have, at the highest level of the organisation, the ability to access informed understanding of the consumer’s needs in relation to the operation of the electricity and gas supply arrangements.

MOWG seeks comment on the proposed selection panel arrangements and on potential involvement of the AEMO Chair.

The MEU agrees with the process for appointing the selection panel. The MEU together with the EUAA have also agreed to the following process for appointing the two “industry” – appointed panel members:-

- energy industry associations including end user associations such as Major Energy Users and Energy Users Association of Australia would join together to form an appointment committee to select two appointees; and
- each association would have equal standing in the process, and the representatives will be appointed by consensus, accepting the principle that it is desirable to have senior, knowledgeable and experienced appointees with the requisite experience and industry knowledge, and an appreciation of how to select people to match the skill set nominated for the Board.

The MEU notes that the Selection Panel Chair will be independent of the energy supply industry. The suggestion of appointing the Chair of ASIC or AICD (or their nominees) as the Chair of the Selection Panel is strongly supported by MEU.

The concept of the Chair of AEMO being “ex officio” on the selection panel has both good and bad points. Properly used the concept is sound, yet improperly used the concept can lead to an AEMO Board which is not as independent as is sought.

The MEU considers that on balance, the Chair of AEMO should be “ex officio” on the selection panel, but should not have any voting rights. That is, the final selection of directors will be made by the five independent members of the panel, giving the selection panel chair the casting vote in the event of a tie between the other four voting members.

MOWG seeks stakeholder views on the selection and appointment process and specifically what role, if any, MCE should play, including under different ownership models.

The MCE should only be able to endorse the selection panel recommendations for directors. If the MCE were to exercise any greater power (eg veto or appointment) then this effectively destroys the high degree of independence the preferred approach provides.

MOWG seeks stakeholder views on the arrangements for the Market Operator Panel(s)

The MEU supports the concept that AEMO have electricity and gas market operations panels to advise the AEMO board, but equally MEU recognises that the decision for ensuring the effectiveness of having such advisory panels will ultimately rest with the Board of AEMO.

Representation on these advisory panels needs to be wider than currently exist, for example, for REMCo and GMC. The VENCorp model appears most valuable in that wide and informed stakeholder participation is achieved. The experience and expertise of panel members will complement that of the Board.

4. AEMO Accountability

The MEU notes that the following 4 basic structures are discussed in the consultations paper:-

1. Statutory Authority
2. 100% ownership by governments
3. 50% ownership by governments, 50% ownership by "industry"
4. 100% ownership by "industry"

Options 2, 3, and 4 require corporations limited by guarantee, as per NEMMCo, GMC and REMCo, and option 1 is the structure used for VENCORP.

Accountability and governance arrangements will not be significantly different under the various options canvassed. The arrangements for accountability, as detailed in the consultations paper, are supported.

MOWG seeks comments on the funding arrangements for AEMO.

The MEU has conservatively estimated that the costs for AEMO operations (excluding WA IMO) could be between \$120 million to \$140 million per annum. Whilst the funds would initially be sourced from market participants, as per the arrangements by NEMMCo and VENCORP, ultimately the funds come from end users, with large customers able to see the amount they pay in their energy bills. It is suggested that this approach of transparent identification of market operation fees continue, allowing those ultimately bearing the costs to see the amounts they are paying. This process is part of the unbundling of costs seen in regard to transmission and distribution costs.

Against this background, whilst we agree that the initial board would be best placed to consider and develop the detailed funding requirements, a clear funding framework needs to be established by the MCE, and incorporated into the Gas and Electricity Laws and their associated Rules. This framework must include clear guidelines on:-

1. transparency
2. accountability
3. compliance
4. stakeholder consultation
5. efficiency of operations and benchmarking

It should be borne in mind that the initial establishment costs associated with NEMMCo escalated strongly and consumer pressure had to be brought to bear to restrain costs.

5. Ownership Options for AEMO

The MEU considers that supply of electricity and gas are **essential services** and there is a requirement for government ownership of AEMO to ensure the public interest is served. AEMO is a strategically significant institution, and as such should be owned by government. The addition of transmission planning functions, as well as additional functions of rules development (under the fast-track proposal) means that AEMO will become a very significant and substantial body that will have very important public interest functions.

In the MEU's view, the GMC and REMCo which are owned by retailers and network operators do not operate in a transparent and accountable way. Consumers and other market participants are excluded, although ultimately consumers foot the bill for its operations.

The Australian energy sector is relatively small, compared with many overseas markets. The energy sector has limited players and in some parts, it is heavily concentrated, with a few dominant players. Overseas comparisons are not only "not straightforward" because of the differences in the number of players, but also irrelevant as there are many varying ownership arrangements with different sets of roles and functions.

The commentary above raises questions in relation to actual and perceived conflicts of interest that may be exhibited by AEMO under different ownership models. MOWG seeks views on governance issues associated with ownership and the impact this has on market participants.

Notwithstanding the opportunity provided under the current process in establishing AEMO for better governance and institutional arrangements (along the lines recommended by ERIG when compared with say, current arrangements for NEMMCO and GMC) there will always be **perceptions** that AEMO is able to be influenced by its owners (i.e. that conflicts of interest might arise) if they are seen to be "industry" owned whereas government ownership (or even government/"industry" ownership) is likely to have lesser negative perceptions regarding (commercial and operational) conflicts of interest.

There was considerable discussion at MOWG about the ability of governments to influence AEMO and this was addressed by establishing clearly independent and transparent governance for AEMO. The government representatives on MOWG accepted this but the strong desire displayed by the supply side representatives to garner ownership of MOWG would seem to imply that the "industry" sees that there are residual benefits for them by having the right of ownership of MOWG.

It was alleged that "industry" ownership would *ipso facto* result in AEMO being more efficient, yet this perception should not convert to reality, because if it did, then it would effectively mean the owners have been able to overcome the independence of AEMO.

AEMO will become its most efficient and effective as a result of the selection of the AEMO Board, as it is the Board of an entity which drives these outcomes. As appointment of AEMO directors has been taken from the hands of the owners by the selection panel process, then it will be an outcome of the selection panel process that will result in AEMO being effective and efficient.

The MEU notes that a statutory authority can have only one government owner. Pragmatically this single owner would have to be the Commonwealth as each of the state based jurisdictions would quite rightly be concerned that ownership by another state based jurisdiction might be used to the detriment of the non-owning state. As a number of state jurisdictions own electricity assets, equity would determine that none of these jurisdictions should own AEMO.

Due to the perceptions of potential conflict, MEU does not support AEMO being a statutory authority, and states a preference for AEMO being a company limited by guarantee, with a number of part owners.

5.1 Industry ownership model

MOWG seeks views on the relative merits of the three different AEMO ownership models.

It is a fallacy to suggest that because “industry” pays for AEMO, the corollary view is that best practice governance and performance are more likely to be achieved through “industry” ownership. The energy sector does not pay for AEMO; it is consumers who will pay for services provided by AEMO. Any organisation, regardless of its ownership type, can be effective and efficient. In this regard, we point to VENCORP, a statutory corporation, whose performance is well-regarded by stakeholders, including by the MEU.

The MEU supports the improved emphasis on good governance viz:-

- an independent skills base Board
- robust and effective accountability arrangements
- governance arrangements to establish appropriate lines of accountability.

However, these outcomes are not necessarily capable of achievement only with industry ownership. Indeed, as argued above, notwithstanding these elements, perceptions of potential conflicts of interest will always arise with “industry” rather than government ownership.

The MEU points to the disadvantages of the industry ownership model, many of which it had raised in the MOWG discussion. These are:-

- the difficulty in defining what “industry” is and what role the different sectors of industry should play in the ownership of AEMO, whether shares be allocated on:-

- The degree of involvement such as volume or numbers being served,
 - How are ownership shares varied as market participants and end users vary the basis of their entitlement criteria
 - If “industry” includes consumers, at what point are consumers no longer eligible to have the right of part ownership
 - Should ownership be compulsory or voluntary
 - How should shares be allocated between different supply side elements (eg generators, gas producers, transmission distribution, retail, etc
- the capacity of small end users to be effectively represented;
 - what degree of individual membership or representative membership there should be and for what class or sector of industry;
 - the significant public interest aspect of government in terms of power system operations (e.g. reliability), market advice, Rule making, planning, etc which may become subservient to the interests of “industry”, and
 - government interest in continuation of energy supply to consumers under market failure or emergency situations may not be as well defined.

The MEU considers that these disadvantages, together with the strong perceptions of potential conflicts of interest, outweigh any perceived advantages claimed by an industry owned model.

The MEU sees potentially immense complexity in establishing the criteria for allocating ownership rights between different sectors of the “industry” and as a result does not support the introduction of such complexity.

The MEU notes that in MOWG discussions it was suggested that, an “industry” owned model could be simplified. This simple ownership approach has not been included in the Discussion Paper, but was stated as

- One entity having only one “share” regardless of size or relativity with other parties
- Every party involved in the supply chain having the right to claim membership
- Membership being voluntary
- An entitled entity being able to take up membership or dispose of its membership at any time

The MEU sees that such an approach is the only practical way that “industry” could feasibly address the issue of “industry” ownership of AEMO.

5.1.1 Industry definition and representation of small consumers

Whilst the MEU has supported the concept that “industry” must incorporate end users of electricity and gas, it was seen that the term has perhaps been, strangely, used by MOWG to give comfort to some

that consumers are allied to the views of the energy supply side. **This is an incorrect presumption.**

As a matter of principle, the MEU confirms that **it does not**:-

- Support the concept of the AEMO being wholly or in part owned by “industry”. The reasons for this view are driven by the inherent complexity of achieving such ownership and of the public interest element of AEMO functions.
- Expect large users to want to take up equity in AEMO, and this is a current view of MEU affiliated end user businesses who state clearly that they would prefer to concentrate on their core business. In this regard, MEU adds that discussions with a number of supply side businesses indicates that with the limited powers available to the owners coupled with the inherent responsibilities of ownership, there is doubt as to whether supply side businesses would take up ownership rights.

However, if there is to be “industry” ownership (in part or whole) of AEMO using the vehicle of a corporation limited by guarantee, large consumers should have the right to take up ownership should they decide that this is preferable to AEMO being dominated by supply side entities.

As for small consumer representation, it is regrettable that MOWG did not include representation from small consumer groups. Certainly during the MOWG discussion, the lack of such representation was raised by the MEU on several occasions.

Moreover, at no occasion during the MOWG discussions, did any supply side representative (including retailers) speak up on behalf of small consumer interests, thereby putting the lie to the assertion that the “retail sector is responsive to the needs of end users and therefore would provide an effective voice on the part of small consumers” (page 57).

In fact it was clearly stated within MOWG that government was best suited to represent the interests of small consumers both within MOWG debates, and in ownership of AEMO. **This observation has been curiously entirely excluded as an issue from the discussion paper.**

5.2 Government ownership model

It is correct as Firecone has suggested

“that power system operation involves a significant level of discretion on the part of the market operator and that a government role in this context appears desirable, particularly in the light of political accountability for the reliability of power supply”

However, it is not entirely accurate for MOWOG to state that:

“...it is noted that market participants bear the financial risks of market operation and are as interested as governments in the orderly operation and

performance of the energy supply system. Furthermore, market participants directly fund the AEMO operations through payment of the AEMO fees, and take the commercial risk of cost recovery in the competitive market” (Page 58).

Firstly, it is predominantly consumers who bear the risks of energy market operation as the loss of energy supply is the most critical power issue of all; some generators also bear risks where they are constrained off and therefore might suffer some financial risk. **But certainly it is not Market Participants as a group that bear this risk.** Major energy users have an interest in the cost of energy services, the security, reliability and the performance of the services. Failure in any aspect means major energy users incur large costs in their operations (particularly for unscheduled outages), as the magnitude of their investments considerably outweighs the investments in network services, and the magnitude of the costs incurred for outages significantly outweighs the costs incurred by any Market Participant.

Secondly, in the case of electricity (and gas in Victoria), large consumers pay the NEMMCO and VENCORP fees effectively as a pass through. The energy supply sector minimal risks in recovering fees.

The company limited by guarantee with 100% government ownership overcomes the challenges posed for a statutory authority, in that all governments involved can be part owners. The MEU would see that ownership would be in equal parts so that no one jurisdiction can have primacy, or that a larger jurisdiction can have a greater say than a smaller jurisdiction.

The MEU strongly supports a government owned AEMO and agrees with the main advantages outlined in the consultation paper, viz:-

- significant public interest is represented in the aspects of power system operations relating to reliability of supply under all circumstances;
- greater ministerial responsibility and accountability for the operation of the market;
- government (MCE) would be accountable for dismissal (but not appointment) of board members if they are underperforming.

The disadvantages outlined for government ownership in the consultation paper are weak:-

- the sovereign risk issue is grossly exaggerated, as there is diminishing government ownership in the energy supply sector, and the current Rules effectively prevent any exposure of NEMMCO and VENCORP to the market for errors they may make. If AEMO was 100% owned by “industry”, “industry” would seek a similar indemnity. This means that the sovereign risk issue is not an issue at all for this one option, but applies equally to all options. It should be noted that for both NEMMCO and VENCORP consumers contribute to a fund to reimburse Market Participants

incurring loss as a result of errors made by the market operator. These funds are the only source of recompense available to Market Participants.

- the benefits of industry ownership are just as readily available to AEMO as government ownership, but without the concerns of perceptions of potential conflicts of interest
- consumers pay for AEMO and are satisfied that a “potentially low risk approach to operations” meets with their needs.

5.3 Joint ownership model

The MEU supports a wholly owned government model but would accept (as second best) a joint government/‘industry’ model as a non-preferred option but an acceptable alternative.

The MEU sees that joint ownership should be 50/50 between government and “industry”, as an equal share does not give primacy to one ownership group over another.

This model addresses some of the concerns about lack of small consumer interests being overlooked as implicitly part government ownership might be sent o provide this representation, and allows “industry” to be a participant in AEMO.

The MEU continues to be bemused as to how equity contributions of “industry” participation are to be allocated. It sees that government ownership shares would be as detailed in the section above, and would see that “industry” ownership would have to be established using the simple model described in section 5.1 above. It is unfortunate that the consultations paper is silent on this very critical issue.

5.4 Configuring The Ownership Models

MOWG seeks views on the most appropriate way in which the AEMO ownership models might be configured

MOWG also seeks views on the proposed voting arrangements for an industry owned model.

The MEU suggests that the government/‘industry’ owned model apportion rights on a 50-50 basis. Governments can determine their own method for membership by each jurisdiction, but as noted above, apportioning “industry” ownership is so complex that a simplistic model suggested in 5.1 above would have to be implemented.

5.5 Preferred Ownership and structural model

MOWG seeks comments on the various ownership and structural models and the merits and/or risks of a five year review.

The MEU prefers:-

- a wholly owned government model with a government/'industry' owned model as a second preference.

The MEU is, however, totally opposed to a wholly 'industry' owned model. No governance arrangements can ever take away perceptions of potential conflicts of interest in the event of an industry owned model.

The complex issues of how to implement "industry" ownership, however, remain undiscussed and unresolved except for the concept of the simple model detailed in section 5.1. This simplistic model does address equity rights apportionment in the case of the 'industry' or government/'industry' model, but the Consultation Paper does not even offer this as a solution. The MEU does not support any "industry" owned or part owned model until these unresolved complexities are addressed and a solution offered for review.

The MEU does agree with the proposed 5 year review of AEMO ownership structure, and performance under the approach finally implemented.