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Australian Energy Market Operator  
GPO Box 2008  
Melbourne VIC 3001

**Re: Declared NEM Project - NEM 2025 Reform Program: Draft Determination**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to comment on the Australian Energy Market Operator's (AEMO) Draft Determination which examines whether the National Electricity Market (NEM) 2025 reform is a 'declared NEM project' under the National Electricity Rules (Rules).

At this point in time, we do not support AEMO's Draft Determination that considers the NEM 2025 Reform Program satisfies the definition of a 'declared NEM project' under section 2.11(ba) of the Rules. As we have argued, the NEM 2025 Reform Project is better characterised as a suite of energy reforms which have not yet been finalised making it impossible to understand how the reform will impact AEMO's functions and responsibilities.

AEMO's underlying objective in having the NEM 2025 Reform Program classified a 'declared NEM project,' is to allow it to develop a separate Participant fee structure for the recovery of the costs of the Reform project. By doing this, under clause 2.11.1 (b) (3) of the Rules, AEMO would be able to charge registered participants a fee that reflects the extent to which the participants were involved in a specific NEM 2025 Reform Program initiative.

If AEMO determines the NEM 2025 Reform Program to be a 'declared NEM project' at this point in time, the task of allocating the costs for specific initiatives to registered participants would be difficult. This is because new registered participants will emerge going forward like Virtual Power Plants (VPPs), grid scale battery owners, wholesale aggregators and even smaller aggregators of solar PV aggregators that sell energy in aggregate through DER marketplaces that benefit more from the reform than incumbents. We also note the pending rule change proposal by AEMO relating to Flexible Trading Arrangements.

New registered participants together with any other new registered participants that emerge from a new business model should contribute to recovering the costs of the NEM 2025 Reform Program. However, the market classification of any new participant—and therefore, mechanism for them to contribute to AEMO's cost recovery—is unclear.

As a result, we prefer that AEMO defer its consideration of whether the NEM 2025 reform project satisfies the definition of a 'declared project' until the reform is finalised giving it more accurately allocate the costs for specific initiatives to registered participants that benefit from the reform. Because if AEMO declares the NEM 2025 Reform Project to be a 'declared NEM project' at this point in time and recovers the fees for the project before it is completed, incumbents will end up paying for the reforms cross subsidising the new players that have the most to benefit from it. In our view, this would not be efficient and inconsistent with the National Electricity Objective (NEO).

Red and Lumo thank AEMO for the opportunity to respond to this consultation. Should you wish to discuss this submission, please call Con Noutso, Regulatory Manager on 0481 013 988.

Yours sincerely,

**Stefanie Monaco**  
Manager - Regulatory Affairs  
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