

STRUCTURE OF PARTICIPANT FEES FOR THE CDR DECLARED NEM PROJECT

February 2023

Consultation Paper





Important notice

Purpose

AEMO is consulting on the determination of the structure of Participant fees to recover costs for the introduction and facilitation of the Consumer Data Right (CDR), and the performance of the CDR functions by AEMO. Under clause 2.11(be) of the National Electricity Rules (Rules), the introduction and facilitation of the CDR, requiring AEMO to carry out CDR functions, is taken to have been determined to be a declared NEM project under clause 2.11.1(ba) of the Rules (CDR declared NEM project).

This document has been prepared by AEMO for the purposes of clauses 2.11(bc) and 8.9 of the Rules and has effect only for the purposes set out in the Rules. The Rules and the National Electricity (Law) prevail over this document to the extent of any inconsistency.

This publication has been prepared by AEMO using information available at 24 February 2023.

Disclaimer

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Version control

Version	Release date	Changes
#1	24 February 2023	

Executive summary

Under clause 2.11.1(be) of the NER, the introduction and facilitation of the consumer data right, requiring AEMO to carry out Consumer Data Right (CDR) functions, is taken to have been determined to be a CDR declared NEM project under clause 2.11.1(ba) of the NER. The publication of this Consultation Paper commences the first stage of the Rules consultation process conducted by AEMO to consider the structure of Participant fees to recover the costs of the CDR declared NEM project.

This consultation applies to the determination of the structure of an additional Participant fee for cost recovery for the CDR declared NEM project, including which Registered Participants will be charged the fee and the determination of the start date for recovery and the period or periods over which recovery will occur. The actual amount charged to Registered participants will be determined through AEMO's budgeting processes and in accordance with AEMO's final determination of these matters.

CDR Declared NEM project

The CDR is implemented via Part IVD of the *Competition and Consumer Act 2010* (Cth). Under the *Competition and Consumer (Consumer Data Right) Rules 2020*, the CDR applies to the energy sector and AEMO is a secondary data holder. In November 2022, amendments were made to the National Electricity Law (NEL) and NER which enable cost recovery by AEMO for CDR functions. The CDR amendments to the NER (which became effective on 10 November 2022) introduced new clauses 2.11.1(be) and 2.11.1 (bf) into the NER. The introduction and facilitation of the consumer data right, requiring AEMO to carry out CDR functions, is taken to have been determined to be a CDR declared NEM project under clause 2.11.1(ba) of the NER (a CDR declared NEM project).

AEMO recovers the costs of performing its functions from Registered Participants. Pursuant to clause 2.11.1(a) of the NER, AEMO recovers costs from Registered Participants in accordance with the structure of Participant fees determined by AEMO. The current Participant fee structure determined by AEMO for electricity markets applies from 1 July 2021 to 30 June 2026.

However, subject to consultation, the NER allows for AEMO to determine an additional fee to recover the costs of specific projects (declared NEM projects) during the term of a Participant fee structure determination until the next general determination of all Participant fees is made under clause 2.11.1(a) of the NER. When AEMO determines a project to be a declared NEM project, it must also determine, subject to consultation, the start date for recovery and the period or periods over which recovery will occur for the declared NEM project.

AEMO's capital costs of the CDR declared NEM project are estimated at approximately \$5 million with ongoing expenditure from 1 July 2023 of approximately \$410,000 per annum.

With the above in mind, the appropriateness of the current structure of AEMO's Participant fees relative to alternative fee structures (including for example establishing an additional CDR Reforms fee) to be applied to recover costs of the CDR declared NEM project needs to be considered.

Following preliminary analysis (highlighted in Table 4), AEMO proposes that the costs are allocated to the existing Electricity Retail Markets fee, that is, fully recovered from Market Customers on a \$/NMI basis. This approach aligns more closely with the fee principles (particularly the simplicity and reflective of involvement principles) than establishing a separate CDR Reforms fee. Additionally, AEMO is proposing that the recovery of costs are to

commence from 1 July 2023 for an initial period of three years, i.e. until the next Participant fee structure period commences on 1 July 2026.

Stakeholders are invited to submit written responses to AEMO's proposed approach for recovering the costs of the CDR declared NEM project, along with responses to the other issues and questions identified in this paper by 5.00 pm (Australian Eastern Daylight Time [AEDT]) on Friday 24 March 2023, in accordance with the Notice of First Stage of Consultation published with this paper.



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1 Consultation overview

The Australian Energy Market Operator Limited (AEMO) invites you to provide a submission on this Consultation Paper – Structure of Participant fees for the CDR declared NEM project.

1.1 Key information

Purpose	To provide stakeholders with the opportunity to have input into the development of the structure of Participant fees for the CDR Reforms												
Date applicable	To be determined in this consultation												
Electricity functions covered in this consultation	<ul style="list-style-type: none">Electricity Retail Markets												
Timetable	<table border="1"><thead><tr><th>Milestone</th><th>Date</th></tr></thead><tbody><tr><td>Submission closing date for this Consultation Paper</td><td>Friday 24 March 2023</td></tr><tr><td>Publication of Draft Report</td><td>Wednesday 26 April 2023</td></tr><tr><td>Submission closing date for Draft Report</td><td>Wednesday 24 May 2023</td></tr><tr><td>Publication of Final Report</td><td>Thursday 22 June 2023</td></tr><tr><td>Fee structure commencement</td><td>To be determined from this consultation</td></tr></tbody></table> <p>Subject to stakeholder feedback additional stages may be included as part of the consultation process.</p>	Milestone	Date	Submission closing date for this Consultation Paper	Friday 24 March 2023	Publication of Draft Report	Wednesday 26 April 2023	Submission closing date for Draft Report	Wednesday 24 May 2023	Publication of Final Report	Thursday 22 June 2023	Fee structure commencement	To be determined from this consultation
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Fee structure commencement	To be determined from this consultation												
Meetings	Stakeholders may request a meeting in their submission. Matters discussed at a meeting may be made available to other stakeholders.												
Submissions closing date and information	<p>AEMO prefers that submissions be forwarded in electronic format (both pdf and Word) as they will be published on the AEMO website.</p> <p>Please provide electronic submissions by 5.00pm AEDT Friday 24 March 2023 to reformdevelopmentandinsights@aemo.com.au.</p> <p>AEMO plans to publish all submissions on its website. Please identify any part of your submission that is confidential and you do not wish to be published.</p> <p>Respondents should also note that if material identified as confidential cannot be shared and validated with other stakeholders then it may be accorded less weight in AEMO's decision making process than published material.</p>												

1.2 Guiding principles for the Electricity fee structure

AEMO consults on its proposed fee structures for Participants in accordance with clause 2.11 of the National Electricity Rules (NER, the Rules). Under the Rules, AEMO only has the power to recover market fees from Registered Participants. In determining the structure of Participant fees, AEMO must have regard to the National Electricity Objective (NEO). In addition, the structure of Participant fees must, to the extent practicable, be consistent with the following principles, which are stipulated in the NER, referred to in this document as the Fee Structure Principles and set out in detail in Appendix A2:

- The structure of Participant fees should be simple.
- The components of Participant fees charged to each registered participant should be reflective of the extent to which AEMO's budgeted revenue requirements involve that registered participant.
- Participant fees should not unreasonably discriminate against a category or categories of registered participants.
- Fees and charges are to be determined on a non-profit basis that provides for full cost recovery.
- The structure of the Participant fees should provide for the recovery of AEMO's budgeted revenue requirements on a specified basis.

The Rules do not expressly indicate that one or another of these Fee Structure Principles should have greater weight than the others. However, where it is not practicable for AEMO to satisfy all of the principles or satisfy them all to an equal degree, AEMO may adopt a structure which is not equally consistent with all the principles. Therefore, meeting the requirements established under the NER typically requires a trade-off between principles. That is, an option to improve the fee structure against one principle may lessen the applicability of another principle.

For example, commonly competing principles are cost-reflectivity and simplicity. While cost-reflectivity in a fee structure could be improved through measures such as disaggregation of fees, markets or services, this would decrease simplicity of the fee structure, and the systems needed to manage the fees would become more complex.

AEMO's objective through this consultation process is to strike a balance between competing Fee Structure Principles, through careful consideration of the principles and stakeholder feedback on how any fee structure may impact various stakeholders. It is also relevant to note that the Participant fees should be sufficient to cover AEMO's costs associated with the CDR declared NEM project.

1.2.1 Budget and Fee Structure

The operation of clause 2.11.1 of the NER also needs to be understood in the context of its surrounding provisions which deal with budgets and the payment of Participant fees.

Under clause 2.11.3, AEMO is required to prepare and publish its budgeted revenue requirements. That budget must take into account and identify revenue requirements for the matters set out in clause 2.11.3(b). Some, but not all of these matters are referred to in the components of Participant fees specified in section 2.11.1(c).

However, AEMO may adopt 'components' of Participant fees which are different to or more than those set out in clause 2.11.1(c). Section 2.11.1(b)(2) of the NER provides that Participant fees should recover the budgeted revenue requirements for AEMO determined under clause 2.11.3. Under section 2.11.2, AEMO may charge Registered Participants the relevant component of Participants fees in accordance with the structure of Participant fees.

Consequently, the scheme of clauses 2.11.1 to 2.11.3 of the NER is:

- To require AEMO to determine the structure of Participant fees according to certain rules;
- To require AEMO to determine AEMO's budgeted revenue requirements according to certain rules; and
- To empower AEMO to recover the budgeted revenue requirements through charging Registered Participants in accordance with the structure of Participant fees.



1.2.2 Fee structure for a Declared NEM project

Subject to consultation, the NER allows for AEMO to determine an additional fee, if it deems appropriate, to recover the costs of specific projects deemed to be a declared NEM project during the term of a Participant fee structure determination.

Under clause 2.11(be) of the NER, the introduction and facilitation of the CDR, requiring AEMO to carry out CDR functions, is taken to have been determined to be a declared NEM project under clause 2.11.1(ba) of the NER (CDR declared NEM project). Clause 2.11.1(bf) of the NER provides that clause 2.11.1(bb) of the NER applies to the CDR declared NEM project and requires AEMO to comply with the NER consultation procedures when making a determination under that clause in respect of the CDR declared NEM project.

Under clause 2.11.1(bb) of the NER, AEMO must determine for the CDR declared NEM project:

- the structure of an additional Participant fee to be used in the recovery of costs associated with the CDR declared NEM project until the next general determination of all participant fees;
- the start date for recovery; and
- the period or periods over which recovery will occur.

2 Background and Context

2.1 The Consumer Data Right (CDR) Reforms

2.1.1 The CDR Reforms

Introduced in 2017 as an amendment to the *Competition and Consumer Act 2010* (Cth), the CDR is an important Commonwealth reform that will empower consumers to have greater control over their data and is seen as a key reform in moving to a digital economy. Through the reform, consumers and small businesses will be given the right to share their data between providers by using automated data technology.

Under the *Competition and Consumer (Consumer Data Right) Rules 2020*, the CDR was applied to the energy sector and AEMO became a secondary data holder. In November 2022, the NER were amended by the *National Electricity Amendment (Consumer Data Right) Rule 2022* to enable AEMO to recover its costs associated with the introduction and facilitation of the CDR. Collectively these changes are referred to in this paper as the CDR Reforms.

Energy consumers will be offered easy access and greater control over their energy consumption data so that they can make more informed decisions about their energy supply and investments in distributed energy resources (DER) and energy-efficient appliances. This will allow for better pricing and potential innovation of products and services via third parties.

Under the CDR Reforms, various parties will be required to fulfil the CDR data flow requirements. These include:

- Consumers;
- Accredited Data Recipients (ADR);
- Data Holders (Retailers); and
- Secondary Data Holders (AEMO).

Retailers included as Data Holders are:

- Initial retailers:
 - AGL, Energy Australia, and Origin Energy
- Larger retailers:
 - Those retailers that had 10,000 or more small customers on the day the National Electricity Amendment (Consumer Data Right) Rule 2022 was made (3 November 2022); and
 - Those retailers that have 10,000 or more small customers at all times during a financial year that begins on or after the amendment day is also a larger retailer on and from the day 12 months after the end of that financial year.

The energy data that will be available through the CDR Reforms and the corresponding Data Holder is shown in Table 1 below.

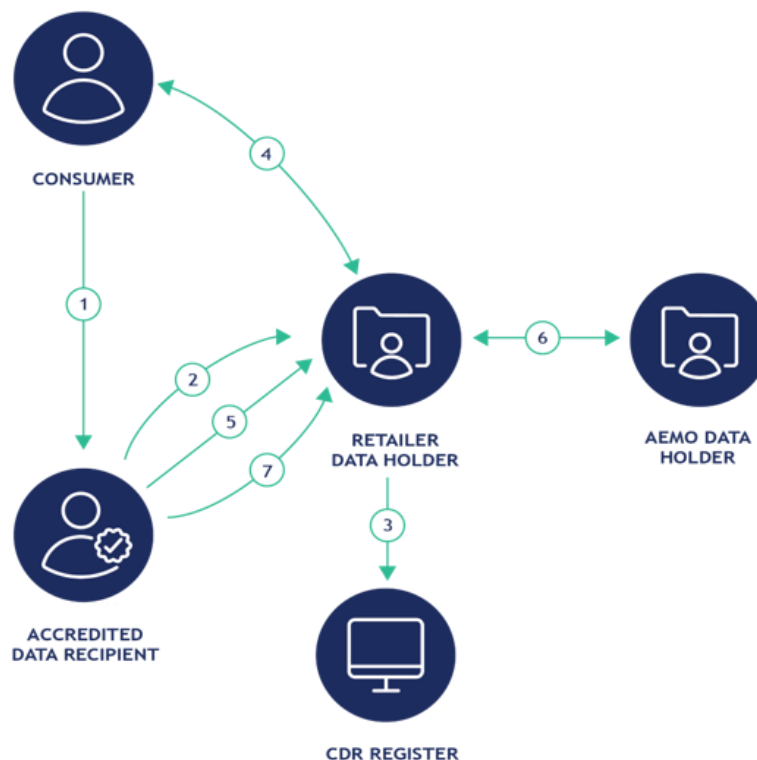
Table 1 – Designated data sets

Data Set	Description	Data Holder
Generic Tariffs	Energy Plans currently offered to the market, with tariff detail	AER / Victorian Government
NMI Standing Data	Site specific data such as location, metering configurations, network tariff and loss factors	AEMO
Electricity Usage	Metered electricity usage for that site (NMI) for up to previous 2 years	AEMO
Distributed Energy Resources	Installation details for DER, such as solar PV or batteries, at the site (NMI)	AEMO
Energy Accounts	Information on the specific plan detail and authorised contacts for accounts	Retailers
Billing	Invoicing, balances and billing transactions for the account	Retailers

2.1.2 The CDR model and implementation

The CDR Reforms will implement a peer-to-peer (P2P) data access model where AEMO is designated as a Data Holder to enable consumers to share their information on DER and historical electricity usage that may not be available to the current Retailer. Figure 1 below outlines the P2P data access model that will be implemented including detail on the workflow.

Figure 1 – P2P data access model



Workflow:

1. The consumer consents to an accredited data recipient (ADR) obtaining their data.
2. The ADR contacts the retailer Data Holder (retailer DH), seeking access to the consumer’s data.

3. The retailer DH authenticates the ADR using the CDR Register.
4. The consumer is redirected to the retailer DH's authentication and authorisation service. The retailer DH authenticates the identity of the consumer via a one-time password. The Consumer authorises the retailer DH to disclose their data to the ADR.
5. The ADR requests a specific set of data that is covered by the authorisation.
6. The retailer requests the relevant data, covered by the authorised consent, from AEMO as a data holder (AEMO DH). AEMO DH provides the requested data to the retailer DH.
7. The consumer's data is shared between the retailer DH and the ADR.

Implementation of the P2P data access model is divided into four tranches as shown in Table 2 below and is based on retailer type and complexity of data, where complex data requests include those:

- Made on behalf of a large customer; or
- Made on behalf of a secondary user; or
- Related to a joint account or a partnership account.

Table 2 – CDR implementation timeline

Tranche	Commencement date	Participants	Complexity of data
1	15 November 2022	AER / Victorian Government, AEMO, Initial Retailers	Excludes complex data requests
2	15 May 2023	Initial Retailers	Includes complex data requests
3	1 November 2023	Larger retailers	Excludes complex data requests
4	1 May 2024	Larger retailers	Includes complex data requests

2.1.3 The CDR Reforms cost estimates

Program cost estimates and cash flows from 1 July 2023 have been developed and are shown in Table 3 below. Capital costs include those associated with Tranches 1 and 2 only, that is, the implementation of the six APIs (November 2022) and the MSATS functionality (May 2023). No additional capital costs are anticipated to be incurred for the remaining Tranches (3 and 4).

Table 3 – Estimated Program costs for AEMO

Cost component	\$
Total capital costs	\$5,000,000
Ongoing costs per annum ¹	\$410,000

¹ Ongoing costs are assumed to commence from FY24.

3 Key matters for consultation

A Participant Fee structure for the CDR Reforms

When a Participant fee structure is developed under clause 2.11.1 of the NER, the following aspects must also be determined:

- the structure of the Participant fee to be used in the recovery of costs;
- the Registered Participants that will be charged the fee;
- the start date for recovery; and
- the period or periods over which recovery will occur.

The sections below outline the requirements to be considered when determining each of the above aspects.

3.1 AEMO's existing Participant fees

This section provides details on the existing Participant fees category in the current Participant fee period that is relevant to the CDR Reforms. Existing core NEM fee and Distributed Energy Resources (DER) Integration program fee structures have not been considered as appropriate to recover costs for the CDR Reforms as those fee categories allocate costs to Wholesale Participants and TNSPs which would not be reflective of involvement in the CDR Reforms.

3.1.1 AEMO's Electricity Retail Markets fee

The current Participant fee structure for the Electricity Retail Markets includes full recovery from Market Customers with a retail licence on a per connection point (\$/NMI) basis. This structure was determined based on the activities allocated to the Electricity Retail Markets category that encompass Full Retail Contestability (FRC), as well as platforms implemented as part of the Power of Choice (PoC) and Five-Minute Settlement (5MS) reforms. Such activities include:

- Managing data for settlement purposes;
- Support for retail market functions and customer transfers;
- Business to business (B2B) processes, including the B2B platform which utilises a Shared Market Protocol (as part of the PoC reforms);
- Market Procedures changes and project implementation; and
- Significant changes to Market Settlement and Transfer Solutions (MSATS) that resulted from the 5MS program.

It was determined the retailer 'market share' basis of recovery (\$/NMI) better reflects this function's purpose to the industry and consumers, as opposed to the MWh consumption basis of recovery, because AEMO's electricity retail markets capability is built to handle a total number of individual meters and the actual energy flowing through them is incidental.



3.2 Recovering Participant fees from Registered Participants

Pursuant to clause 2.11.1(a) of the NER, AEMO recovers costs from Registered Participants in accordance with the structure of Participant fees determined by AEMO.

The attribution of the allocated costs to each Registered Participant is based on AEMO's activities and outputs and the cost drivers associated with them and the extent of the involvement of the participants for each of the outputs and revenue requirements. In determining the extent to which the outputs and budgeted revenue requirement relating to a particular output involves a class of Registered Participant, AEMO relies on the experience and expertise of its general managers and staff, and considers factors such as the degree to which:

- the class of Registered Participant that interacts with AEMO in relation to the output;
- the class of Registered Participant that uses the output;
- the class of Registered Participant that receives the output;
- the class of Registered Participant that benefits from the output; and
- those revenue requirements are given rise to, or caused by, that class of Registered Participant's presence in the NEM.

Intending or new participants that are not yet Registered Participant categories under the NER cannot be considered for recovery through the current fee structure. New categories can only be considered for fee recovery once they are legislated in the NER/NEL, and the extent of their involvement with AEMO's revenue requirements can be determined.

Cost recovery metrics for new Registered Participant categories that enter the market during a fee period are sometimes determined via transitional arrangements specified in the Rules which gives effect to the new participant category. AEMO may make submissions on cost recovery for new Registered Participants as part of rule changes processes, however if cost recovery is not explicitly determined through the rule change process, then AEMO would either recover costs through the NEM fee (allocated if possible, or unallocated) or a declared NEM project consultation may be undertaken.

3.3 Start date and period/s of fee recovery

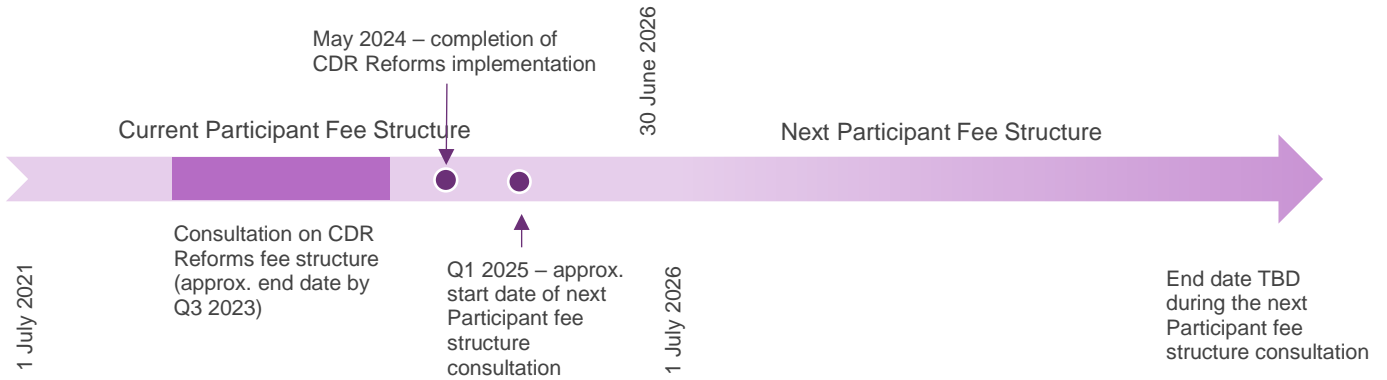
Section 2.1.2 outlined the anticipated timeline of delivery for the four tranches of the CDR Reforms which highlighted that implementation for all four tranches are expected to be completed by the end of May 2024.

For reference, a timeline of AEMO's Participant fee structure periods is provided in Figure 2 below and shows the period of time that a fee structure for the CDR Reforms may be in place for this current Participant fee structure period and when consultation on the next Participant fee structure period is expected to commence. The fee structure determined for the CDR Reforms as part of this consultation will be considered in the general fee consultation.

While the start date for recovery and appropriate period/s for fee recovery will be determined through this consultation, AEMO's preliminary proposal is that a start date of 1 July 2023 is accepted with a fee recovery period of three years. This start date would allow recovery of costs to commence as soon as possible since Tranches 1 and 2 would be implemented by this time. The period for recovery would take into account the remainder of the staggered implementation approach of the reforms which are expected to be completed in May

2024, and also align with the remainder of the current Participant Fee structure period, after which the fee recovery structure for the CDR reforms can be reconsidered for the next Participant Fee structure period.

Figure 2 – Timeline of AEMO’s Participant fee structure periods



3.4 Options for Participant fee structure for the CDR Reforms

The table below presents two options for how to recover the costs of the CDR Reforms. AEMO has also undertaken an indicative assessment of these options against the fee principles and the NEO. The assessment key is as follows:

	Meets the principle
	Some aspects meet the principle
	Does not meet the principle

We are seeking input on the options proposed, together with any other options to be considered, as part of this consultation.

Existing core NEM fee and DER Integration program fee structures have not been considered as appropriate to recover costs for the CDR Reforms as those fee categories allocate costs to Wholesale Participants and TNSPs which would not be reflective of involvement.

Table 4 – CDR Reforms fee structure options

Example	Description	Indicative assessment against Fee Principles and the NEO
1. Use existing Electricity Retail Markets Participant fee structure for recovery of CDR Reform costs	<ul style="list-style-type: none"> Recover AEMO's costs of performing the CDR Functions using AEMO's existing Electricity Retail Markets fee structure CDR costs to be allocated to Retailers as per the existing Participant fee structure (i.e., \$/NMI) Existing structure of Electricity Retail Markets Participant fees to apply to the recovery of costs of the CDR Reforms for the remainder of the current Participant fee period, i.e. until 30 June 2026 	Simplicity
		Reflective of involvement
		Not unreasonably discriminate

Example	Description	Indicative assessment against Fee Principles and the NEO
		<p data-bbox="1082 367 1444 421">Recovery of AEMO's budgeted requirements on a specified basis</p> <p data-bbox="1235 495 1291 521">NEO</p>
<p data-bbox="134 580 472 633">2. A separate CDR Reforms fee</p>	<ul data-bbox="515 580 1037 1225" style="list-style-type: none"> <li data-bbox="515 580 1037 689">• A new Participant fee structure developed to apply specifically to the recovery of costs associated with the CDR declared NEM project <li data-bbox="515 701 1037 810">• Requires determining which relevant Registered Participant/s to recover costs from as well as the attribution to be allocated to each Registered Participant <li data-bbox="515 822 1037 904">• Requires determining the relevant fee metric to apply to each of the Registered Participants <li data-bbox="515 916 1037 1077">• The new Participant fee structure to apply until the end of the current Participant fee period (and the next general fee determination consultation would consider whether to continue applying the new fee structure) <li data-bbox="515 1088 1037 1225">• The costs of establishing an additional fee structure for the CDR declared NEM project compared to the benefits an additional fee structure would provide should also be considered 	<p data-bbox="1209 613 1313 640">Simplicity</p> <p data-bbox="1126 728 1398 754">Reflective of involvement</p> <p data-bbox="1098 842 1426 869">Not unreasonably discriminate</p> <p data-bbox="1082 943 1444 996">Recovery of AEMO's budgeted requirements on a specified basis</p> <p data-bbox="1235 1115 1291 1142">NEO</p>

3.4.1 AEMO's preliminary proposal for cost recovery of the CDR declared NEM Project

Based on the two options presented above, AEMO is of the view that cost recovery for the CDR declared NEM Project using the existing Electricity Retail Markets fee structure, (recovered from Market Customers on a \$/NMI basis), better reflects the fee principles and the NEO than the option of a new and separate CDR Reforms fee structure. This is because:

- This fee structure only applies to the Participants impacted by the CDR Reforms because they either have a role in, or benefit from, the CDR Reforms, that is, Retailers. This fee structure does not require payments by Wholesale Participants or TNSPs, which have no role in, and do not benefit from, the CDR Reforms.
- Performance of the CDR functions by AEMO will occur via interactions with AEMO's retail systems and activities that are allocated to the Electricity Retail Markets fee category. For example:
 - Additional functionality into MSATS is required to provide a last consumer change date field which defines when an account holder starts or ends at a premise (due to be implemented as part of Tranche 2).
 - AEMO was required to implement six new Automated Programming Interfaces (APIs) in accordance with the CDR standards for data delivery (implemented as part of Tranche 1).
 - There are no wholesale or network service provider systems or activities utilised by AEMO to deliver the CDR Reforms.

- The \$/NMI fee metric for the Electricity Retail Markets fee accurately reflects the manner in which retailers involved in the CDR Reforms can be charged.
- It maintains simplicity across AEMO's fee recovery process as it is consistent with an existing fee structure utilised by AEMO.

3.5 Questions for stakeholder feedback

AEMO appreciates stakeholder feedback on the following questions, as well as any additional comments stakeholders may have in relation to the Participant fee structure for the CDR Reform.

Question 1

- a. Do stakeholders agree with AEMO's proposed approach as described in section 3.4.1 for recovery of the CDR declared NEM project costs?
- b. Do stakeholders agree that the CDR declared NEM project costs are recovered from Market Customers only? If not, which other Registered Participants should fees be recovered from?
- c. Is there another fee structure that would be more appropriate for recovery of the costs of the CDR declared NEM project?

Question 2

Is the fee metric used for Electricity Retail Markets fees appropriate to apply to the recovery of the CDR declared NEM project costs? If not, what metric/s is/are more appropriate?

Question 3

AEMO proposes a start date for recovery of 1 July 2023. Do stakeholders consider this appropriate?

Question 4

Are there any other issues relating to AEMO's recovery of the CDR declared NEM project costs that need to be considered?

A1. Fee structure principles

Fee Structure Principle	Requirement	Application and examples
National Electricity Objective (NEO)	<p>In determining Participant fees, AEMO must have regard to the national electricity objective.</p> <p>The objective of the NEL is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—</p> <p>(a) price, quality, safety, reliability and security of supply of electricity; and</p> <p>(b) the reliability, safety and security of the national electricity system</p>	<p>The Second Reading Speech to the National Electricity (South Australia) (New National Electricity Law) Amendment Bill 2005 makes it clear that the NEO is an economic concept and should be interpreted as such.</p> <p>The Speech gives an example that investment in and use of electricity services will be efficient when services are supplied in the long run at least cost, resources, including infrastructure, are used to deliver the greatest possible benefit and there is innovation and investment in response to changes in consumer needs and productive opportunities.</p> <p>The Speech goes on to state that the long-term interests of consumers of electricity requires the economic welfare of consumers, over the long term, to be maximised.</p> <p>If the NEM is efficient in an economic sense, the long-term economic interests of consumers in respect of price, quality, reliability, safety and security of electricity services will be maximised. Applying an objective of economic efficiency recognises that, in a general sense, the NEM should be competitive, that any person wishing to enter the market should not be treated more, or less, favourably than persons already participating, and that particular energy sources or technologies should not be treated more, or less, favourably than others.</p> <p>Since 2006, the NEO has been considered in a number of Australian Competition Tribunal determinations, which have followed a similar interpretation. See, for example, Application by ElectraNet Pty Ltd (No 3) [2008] ACompT [15]:</p> <p>“The national electricity objective provides the overarching economic objective for regulation under the Law: the promotion of efficient investment in the long term interests of consumers. Consumers will benefit in the long run if resources are used efficiently, i.e. resources are allocated to the delivery of goods and services in accordance with consumer preferences at least cost.”</p> <p>The NEO is clearly a relevant consideration where AEMO has to exercise judgment or discretion in reaching its determination, for example, if there is a number of Participant fee structures each of which can satisfy the Fee Structure principles, or where the relevant provisions of the Rules are ambiguous.</p>
Simplicity	<p>The structure of Participant fees should be simple</p>	<p>As “simple” is not defined in the Rules, it must be given its ordinary meaning as understood in the context of clause 2.11 of the Rules.</p> <p>The New Shorter Oxford English Dictionary’s definition of “simple” (in this context) is: “not complicated or elaborate” and “plain, unadorned”. Whether a fee structure fits these definitions is largely a matter of judgement.</p> <p>There is a wide range of possible fee structures. There is no single identifiable point where “simple” becomes “complicated”.</p> <p>It is clear from this provision that a certain degree of complexity was envisaged in that the structure of Participant fees may involve several components and budgeted revenue consists of several elements. The structure of Participant fees need not demonstrate absolute simplicity.</p> <p>The simplest fee structures are unlikely to be consistent with the other criteria. However, it is possible to find fee structures that, while consistent with the other criteria, are relatively simple, in comparison to alternative structures.</p> <p>Further, AEMO considers that the use of the word “simple” in this context also involves a degree of transparency.</p> <p>AEMO considers that the simplicity principle means that the basis of the fee structure and its application to various Registered participants should be:</p> <ul style="list-style-type: none"> • straight-forward • easily understood by participants

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		<ul style="list-style-type: none"> readily applied by Registered participants and AEMO foreseeable and forecastable in terms of impacts and costs.
Reflective of Involvement	<p>The components of Participant fees charged to each Registered Participant should be reflective of the extent to which the budgeted revenue requirements for AEMO involve that Registered Participant</p>	<p>In determining whether the extent to which the budgeted revenue requirement relating to a particular output involves a class of Registered Participant, AEMO relies on the experience and expertise of its general managers and staff, and considers factors such as the degree to which the class of Registered Participant:</p> <ul style="list-style-type: none"> (a) interacts with AEMO in relation to the output; (b) uses the output; (c) receives the output; and (d) benefits from the output. <p>AEMO also considers how the revenue requirements are given rise to, or caused by, that class of Registered Participant's presence in the NEM.</p> <p>AEMO must determine the structure of Participant fees "afresh".</p> <p>That is, it must freshly consider the application of the criteria in clause 2.11.1 of the Rules and the NEL to the facts and analysis available to it at this time.</p> <p>In doing so, however, AEMO will have regard to its previous determinations under clause 2.11.1 of the Rules, where appropriate.</p> <p>The principle of "reflective of extent of involvement" does not have a specialised meaning in economics. It is consistent with the economic notion of 'user pays' but as a matter of ordinary language, it indicates a degree of correspondence (between AEMO and its costs and participants) without connoting identity.</p> <p>However, this principle does not involve a precise degree of correspondence.</p> <p>Where fixed and common costs are involved, multiple registered participants may be involved with AEMO costs in relevantly similar ways. AEMO's analysis and experience shows that there are categories or classes of Registered Participants that share certain characteristics that mean that the way in which they interact with AEMO is likely to have the same or similar cost implications for AEMO.</p> <p>Where it is practical for AEMO to identify costs that are fixed or common in nature that can reasonably be allocated to a class or classes of Participants that share characteristics such that their involvement with AEMO's outputs is likely to have the same or similar cost implications, AEMO will seek to do so.</p>
Non-discriminatory	<p>Participant fees should not unreasonably discriminate against a category or categories of Registered Participants</p>	<p>In past Participant Fee determinations, AEMO (and its predecessor, NEMMCO) adopted the following definition of discriminate:</p> <p>"Discriminate means to treat people or categories of people differently or unequally. Discriminate also means to treat people, who are different in a material manner, in the same or identical fashion. Further, "discriminate against" has a legal meaning which is to accord "different treatment ... to persons or things by reference to considerations which are irrelevant to the object to be attained".</p> <p>This principle allows AEMO to discriminate against a category or categories of Registered participants where to do so would be reasonable.</p> <p>Where a degree of discrimination between categories of Registered Participants is necessary or appropriate to achieve consistency with the other principles in clause 2.11.1(b) of the Rules, or the NEL, the discrimination will not be "unreasonable".</p> <p>In considering a past fee determination, the Dispute Resolution Panel accepted that this principle is to be applied to the extent practicable and it is only unreasonable discrimination that offends.</p>
Comparability	<p>In developing, reviewing and publishing, the structure of Participant fees, AEMO must consider other fee structures in</p>	<p>Other relevant fee structures could include:</p> <ul style="list-style-type: none"> Other electricity market fee structures such as Western Australia or globally Gas markets operated by AEMO

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	<p>existence which it thinks appropriate for comparison purposes.</p> <p>Note that this is not strictly a principle but is included for completeness in describing the matters for which AEMO must have regard.</p>	

A2. Registered participants (current)

Participant category	Description	Registered participant class
Generators	Any person who owns, controls or operates a generating system connected to a transmission or distribution network	<ul style="list-style-type: none"> • Market Scheduled • Market Non-scheduled • Market Semi-scheduled • Non-market Scheduled • Non-market Non-scheduled • Non-market Semi-scheduled
Small Aggregated Generator	An SGA can supply electricity aggregated from one or more small generating units, which are connected to a distribution or transmission network. A small generating unit is owned, controlled and/or operated by a person who AEMO has exempted from the requirement to register as a generator.	<ul style="list-style-type: none"> • Market Small aggregated generator
Customers	A customer is a registered participant that purchases electricity supplied through a transmission or distribution system to a connection point	<ul style="list-style-type: none"> • Market customer • First-tier customer • Second-tier customer
Network Service Providers	A person who owns, operates or controls a transmission or distribution system	<ul style="list-style-type: none"> • Transmission network service provider • Distribution network service provider • Market network service provider
Special Participant	<p>A delegate appointed by AEMO to carry out, on AEMO's behalf, some or all of AEMO's rights, functions and obligations under Chapter 4 of the Rules.</p> <p>A Distribution System Operator who is responsible, under the Rules or otherwise, for controlling or operating any portion of a distribution system (including being responsible for directing its operations during power system emergencies).</p>	<ul style="list-style-type: none"> • System operator • Distribution system operator
Reallocator	Anyone that wishes to participate in a reallocation transaction undertaken with the consent of two market participants and AEMO	<ul style="list-style-type: none"> • Reallocator
Trader	Anyone who wants to take part in a Settlements Residue Auction (SRA), and is not already registered as a customer or generator	<ul style="list-style-type: none"> • Trader
Metering Coordinator	Has the overall responsibility for coordination and provision of metering services at a connection point in the NEM	<ul style="list-style-type: none"> • Metering coordinator
Market Ancillary Service Provider (MASP)	Delivers market ancillary services in accordance with AEMO's market ancillary services specifications, by offering a customer's load, or an aggregation of loads into FCAS markets.	<ul style="list-style-type: none"> • Market ancillary service provider
Demand Response Service Provider (DRSP)	A person who offers and provides load as either or both: <ol style="list-style-type: none"> wholesale demand response in respect of a wholesale demand response unit; and a market ancillary service in respect of ancillary service load, 	<ul style="list-style-type: none"> • Demand response service provider