

3 March 2023



Mr Daniel Westerman
Chief Executive Officer
Australian Energy Market Operator
GPO Box 2008
Melbourne VICTORIA 3001

Email: reformdevelopmentandinsights@aemo.com.au

Dear Mr Westerman

Participant Fee Structure for the NEM2025 Reform Program Declared NEM

Project

Energy Queensland Limited (Energy Queensland welcomes the opportunity to provide feedback to the Australian Energy Market Operator (AEMO) in response to the Participant Fee Structure for the NEM2025 Reform Program Declared NEM Project Consultation Paper (the Consultation Paper).

This submission is provided by Energy Queensland, on behalf of its related entities, including:

- Distribution network service providers (DNSP), Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy);
- Retailer, Ergon Energy Queensland Pty Ltd; and
- Affiliated contestable business, Yurika Pty Ltd and its subsidiaries, including Yurika Metering.

Energy Queensland acknowledges that AEMO has been tasked with coordinating the implementation of the Energy Security Board's NEM 2025 project and, as an industry funded entity, AEMO must recover the costs it will incur from market participants. Energy Queensland supported the declaration of the NEM 2025 Reform Program as a NEM project under clause 2.11.1(ba) of the National Electricity Rules on the basis that this approach would likely enable greater transparency of the expenditure and allocation of costs to participants. Consistent with this position, we strongly support the proposal to determine participant fees for the NEM2025 reform program as a separate fee to promote transparency of the costs of the NEM 2025 reform program. While we

haven't provided responses to the specific questions in the Consultation Paper, we have provided high level feedback on the consultation as a whole.

Energy Queensland acknowledges that AEMO must upgrade its information systems to enable the evolution of the market, so in the interests of equity and transparency, we request that AEMO release the results of its needs assessments to participants for review, prior to proceeding with any investment.

Energy Queensland is also concerned that the costs of the proposed reforms may fall disproportionately on participants that will not benefit from their implementation. For example, the costs to implement the Distributed Energy Resource (DER) integration projects, such as Flexible Trading Arrangements, could potentially be borne by retailers (i.e. Market Customers) in order to enable their competitors to enter the market. Therefore, we recommend that AEMO use the detailed cost-benefit analysis discussed in the Consultation Paper to review the fee distribution and ensure that costs are attributed as efficiently as possible. Energy Queensland supports the proposed delay to cost recovery until the projects are implemented as this would allow the costs to be allocated to the parties more likely to benefit if/when they enter the market. However, there will still be a risk that these costs will be allocated to the parties which will not benefit from the reform.

Further, Energy Queensland is concerned that its DNSPs, Energex and Ergon Energy, may not be able to appropriately recover the costs of the proposed participant fee costs over the next regulatory control period, commencing 1 July 2025. DNSPs forecast costs on a five-yearly basis, in response the AER sets the maximum revenue that each DNSP can recover from consumers over that five-year regulatory period. Therefore, any costs that were not forecast in the DNSPs regulatory determination process are not included in the AER approved regulatory allowance. DNSPs do not generally have cost pass through categories that will cover the scope of the proposed participant fee and therefore, they would not be able to recover these costs via the pass through provisions in the Rules.

In order for DNSPs to appropriately incorporate the proposed participant fees into their determinations the fees will need to be a stable forecastable amount. Currently the cost impact of these fees is unknown and therefore is unable to be forecasted in the determination.

Therefore, we consider that it is imperative that AEMO takes an equitable approach to how the fees are distributed among market participants. For example, under a recent rule change¹ Transmission Network Service Providers (TNSPs) are now able to recover costs of new AEMO participant fees by utilising a cost pass through onto customers. However, DNSPs do not have this same opportunity. Therefore, AEMO

¹ AEMC Rule change Ref: ERC0335, Recovering the cost of AEMO's participant fees
<https://www.aemc.gov.au/rule-changes/recovering-cost-aemos-participant-fees>

needs to consider how the participant fees would have a greater impact on some market participants in terms of equitable cost recovery.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact me on 0429 394 855 or Tammara Scott on 0492 137 878.

Yours sincerely,



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