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Submitted via email: reformdevelopmentandinsights@aemo.com.au

Draft determination on the structure of participant fees for the NEM 2025 reform program

Energy Networks Australia (ENA) welcomes the opportunity to provide input to the Australian Energy Market Operator's (AEMO's) consultation on its Draft Determination on the structure of participant fees for the NEM 2025 reform program declared NEM project.

ENA represents Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Key messages

ENA appreciates the engagement undertaken in this process so far, including bilateral discussions and the creation of the Participant Fee Consultative Committee. We also thank AEMO for clearly showing how it has taken ENA's views into account in making its Draft Determination.

A summary of ENA views on the Draft Determination is as follows:

- » ENA supports the creation of a separate fee for the post-2025 declared NEM project because this provides transparency of budgets and expenditure related to the work program.
- » ENA supports the approach taken in the Draft Determination allocating fees for the NEM2025 Reform Program. This approach meets the relevant principles of simplicity, non-discrimination and cost recovery based on the involvement of participants.
- » ENA notes AEMO's comments that, should there be a need to allocate fees to distribution network service providers (DNSPs) in the future, AEMO will discuss with DNSPs an approach to introducing a cost recovery mechanism, including transitional arrangements.

Recovery of the NEM2025 Reform Program costs in a separate fee

ENA supports the approach taken in the Draft Determination to create a separate fee for the NEM2025 Reform Program. ENA has previously argued that the use of existing fees would be simpler to implement and could be achieved in a way that allocates fees based on involvement. However, we note that our position has shifted, given that:

- » the creation of a separate fee structure provides greater transparency of budgets and costs for the Reform Program
- » a separate fee can be introduced in a manner that is simple and easily understood by participants, and
- » a separate fee can better reflect the involvement of participants in the Reform Program for the relevant period.

In particular, the use of existing fee structures would have made it difficult for AEMO to separately report on the costs of the NEM2025 Reform Program against the budgeted costs, which are generally reported against fee categories.

This transparency of costs for reform projects is likely also to be important as we work towards a general fee determination that will take effect from mid-2026. A clear understanding of the risks and uncertainties associated with reform projects is likely to be useful when considering the appropriate allocation of costs to participants, given their varying ability to recover cost variances over multiple years that have not been forecast.

Allocation of fees for the NEM2025 Reform Program

ENA supports the approach taken in the Draft Determination to the allocation of fees for the NEM2025 Reform Program. The allocation approach, considering the allocations under existing fee categories against the relative involvement of participants in each NEM2025 reform program initiative, is a simple and effective. Using the participant impact assessments formed through the Reform Delivery Committee, which was considered in the consultation paper, would likely have yielded results that were not as aligned with the involvement principle.

The approach taken in the Draft Determination meets the relevant principles of simplicity, non-discrimination and cost recovery based on involvement of participants for the period from July 2024 through to the end of June 2026. In particular, the decision to not allocate fees to transmission network service providers (TNSPs) (on the basis of involvement) and DNSPs (on the basis of involvement and their inability to recover costs) is appropriate under the fee principles.

We also consider this approach is consistent with the NEO, noting that in the Draft Determination, the costs and risks associated with AEMO's fees are allocated to the parties best placed to manage them or to pass them on efficiently through the supply chain.

Towards a 2026 general fee determination

Our DNSP members note and rely on AEMO's comments that, should there be a need to allocate fees to DNSPs in the future, AEMO will discuss with DNSPs an approach to introducing a cost recovery mechanism, including transitional arrangements, in a similar way that was applied for the commencement of charging TNSPs.

ENA considers this is a sensible approach to implementing fees for DNSPs in the future and would welcome early discussions on this as AEMO approaches its 2026 general fee determination.

We also note that the timing of the consultation process for the next general fee determination will need to take into account the need for fee estimates to be notified to TNSPs in February 2026. This is required

under s.11.153.2 of the National Electricity Rules, part of transitional arrangements made under the AEMC's *Recovering the cost of AEMO's participant fees* final rule determination.

If you have any questions or would like to discuss specific topics further, please do not hesitate to contact me - dadams@energynetworks.com.au.

Yours sincerely,



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