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Australian Energy Market Operator

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## NEM Participant Fee Structure

AusNet welcomes the opportunity to provide this submission to the Australian Energy Market Operator (**AEMO**) consultation on the NEM Participant Fee Structure to commence from 1 July 2026.

AusNet is the largest diversified energy network business in Victoria—we own and operate three core regulated networks: electricity distribution, gas distribution and the state-wide electricity transmission network, delivering energy to more than six million Victorian households, businesses, and industrial users.

AusNet commends AEMO on its efforts to provide increased transparency and certainty of its costs and emerging impacts from the transition to a net-zero system, through forums such as the Financial Consultative Committee (**FCC**) and the Reform Delivery Committee. The detailed presentations and the consultation paper on the fee structure considerations for the next period commencing July 2026 have been useful in understanding the opportunities and challenges AEMO faces in allocating NEM fees in a way that is fit for purpose and meets the needs of consumers over the coming years.

We recognise the challenges that AEMO faces in determining a fee structure that is consistent with the principles in clause 2.11.1(b) the National Electricity Rules (**the Rules**). The ability to identify the optimal trade-offs between these principles is an important feature of this process, as roles and functions in the NEM continue to evolve through the transition.

AusNet is of the view that the current NEM fee structure is substantially well suited to the purpose of funding AEMO's services in a manner that is consistent with the established NEM fee principles. The existing groups of Wholesale Participants, Market Customers and Transmission Network Service Providers (**TNSPs**) reflect the main categories of participants likely to substantially engage with, receive direct benefit from and provide input into, AEMO's functions. In its 2021 Participant Fee Structure Final Determination,<sup>1</sup> AEMO noted that cost allocation surveys from the time indicated that DNSPs' level of involvement was "immaterial" at just 3%, substantially lower than TNSPs (17.5%). This led AEMO to determine not to charge DNSPs, for as it noted:

*"A structure that charges fees to many participants with minor involvement with AEMO's costs such as the level of DNSPs, is less simple, especially in light of the material involvement of other participants such as TNSPs, Wholesale Participants and Market Customers."<sup>2</sup>*

Whilst DNSPs' involvement with AEMO has increased since 2021, the nature of the energy transition means that all participant categories likely have had increased involvement with AEMO since that time. To the extent that DNSPs involvement has increased relative to the other participant categories, it would still be incumbent on AEMO to provide evidence that the level of DNSP involvement is now material before it determines to charge DNSPs for its services.

The consultation paper notes that AEMO intends to continue the survey-based approach adopted in the 2021 determination and that this is preferable to alternative approaches. One example of an alternative approach is mentioned (activity-based costing), but no analysis of the costs and benefits of survey v. activity based costing or other methods is provided. AusNet recommends that AEMO provide a more comprehensive analysis of the various options available to it for allocating its costs in support of its decision to continue with the survey approach. Whatever the method, AusNet would support regular (at least annual) tracking of these cost allocations, as it is

<sup>1</sup> [https://aemo.com.au/-/media/files/stakeholder\\_consultation/consultations/nem-consultations/2020/electricity-market-participant-fee-structure-review/final-report/aemo-electricity-fee-structure-final-report-and-determination.pdf](https://aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2020/electricity-market-participant-fee-structure-review/final-report/aemo-electricity-fee-structure-final-report-and-determination.pdf)

<sup>2</sup> AEMO (2021), *Electricity Fee Structures Final Report and Determination*, p.16.

unlikely that a survey completed once every four to five years, potentially based on the memory of the person completing it, would produce accurate, reliable results.

In the event that DNSPs were charged participant fees, AusNet notes that:

1. There needs to be a clear pathway for cost recovery. For example, in 2022 changes were implemented to the Rules following the last consultation, when TNSPs were added as a participant category. AusNet considers these fees should operate as a cost pass through for distribution businesses, without a materiality threshold, to provide an opportunity to recover efficient costs. Failure to do this would mean that DNSPs are not afforded the opportunity to recover the efficient costs of providing network services, as required under the Rules. Failing this, AusNet will need to recover these fees through the regulatory determination process which would require an accurate forecast of fees for the 1 July 2026 to 30 June 2031 regulatory period. This would be needed by 30 September 2025 to feed into AusNet's Revised Revenue Proposal.
2. The overall cost allocation charged to DNSPs would be divided between the 13 DNSPs operating in the NEM, embedding a not-insignificant administrative burden into the process.
3. Participant fees levied on DNSPs would ultimately be passed through to Market Customers in the form of Distribution Use of System (**DUOS**) charges. It is unclear what benefits arise from addressing the above issues, simply for DNSP charges to end up as Market Customer charges. It would be more efficient to charge Market Customers directly.

AusNet contends that these issues introduce unnecessary complexity to the fee allocation process, rather than the simplicity that the Rules principles require.

Finally, AusNet would argue that it is appropriate to view DNSPs more as service providers to the NEM rather than users of NEM services. DNSPs are already investing significant resources and time, including close engagement with AEMO, into activities that will aid core NEM functions such as power system security and reliability. AusNet's electricity distribution services have been significantly impacted by the expansion of CER and DER on our networks. We have invested in new and enhanced capabilities to plan for and manage these new devices and connections and continue to enhance and scale those capabilities up to support NEM system security initiatives like Solar Emergency Backstop. We are also investing significantly in digital capabilities that allow us to roll out dynamic network limits for our customers which will allow even more renewables to be hosted on our networks and provided into the NEM under such AEMO led initiatives such as Integrating Price Responsive Resources into the NEM (**IPRR**). It seems counterproductive to the energy transition for this engagement between DNSPs and AEMO to result in AEMO levying charges on DNSPs.

In summary, AusNet considers that DNSPs should continue to be excluded from the registered participants who are subject to AEMO's fees. The existing participant categories align with the principles set out in clause 2.11.1 (b) of the Rules and charging DNSPs would add even more complexity in how we forecast and recover expenditure for each pricing reset period, without any commensurate benefit for consumers.

Please do not hesitate to contact Anoop Nambiar (anoop.nambiar@ausnetservices.com.au) with any queries relating to this submission.

Yours sincerely,



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