

NEM Participant Fee Structure Consultation

Consultation Paper Webinar
8 May 2025

This event will be recorded for record
keeping and note taking purposes





We acknowledge the Traditional Custodians of the land, seas and waters across Australia. We honour the wisdom of Aboriginal and Torres Strait Islander Elders past and present and embrace future generations.

We acknowledge that, wherever we work, we do so on Aboriginal and Torres Strait Islander lands. We pay respect to the world's oldest continuing culture and First Nations peoples' deep and continuing connection to Country, and hope that our work can benefit both people and Country.

'Journey of unity: AEMO's Reconciliation Path' by Lani Balzan

AEMO Group is proud to have launched its first Reconciliation Action Plan in May 2024. 'Journey of unity: AEMO's Reconciliation Path' was created by Wiradjuri artist Lani Balzan to visually narrate our ongoing journey towards reconciliation – a collaborative endeavour that honours First Nations cultures, fosters mutual understanding, and paves the way for a brighter, more inclusive future.

Read our
RAP



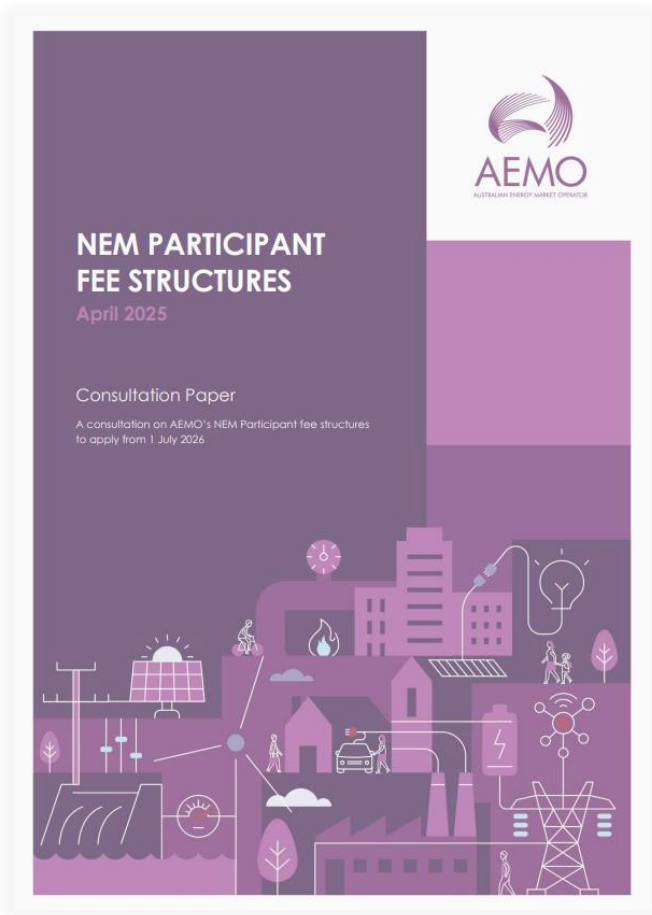
Today's agenda

Time (AEST)	Item	Speaker
10:30 am	Agenda & welcome	Heath Kantor – Principal Stakeholder Engagement Advisor
10:35 am	Context: Transitioning NEM, evolving AEMO	Hannah Heath – Group Manager, Strategic Market Reform
10:45 am	Background, rules requirements and guiding principles	Lance Brooks – Manager, Reform Strategy
10:55 am	Establishing a new NEM Participant Fee Structure	Lance Brooks – Manager, Reform Strategy Reena Kwong – Specialist, Reform Strategy
11:30 am	Next Steps and Q&A	<i>Facilitated by Heath Kantor</i>
12:00 pm	Close	Heath Kantor

How to interact today

- Please feel free to share questions or comments using the Teams chat function and we can respond to them during the Q&A
- You are also welcome to raise your hand in Teams if you would like ask any questions verbally throughout the session

Consultation Paper published April 10th



- An initial Consultation Paper has been published on 10 April 2025.
- AEMO welcomes stakeholder feedback on key fee structure attributes which will be discussed in detail at this webinar:
 - the allocation of fees to Registered Participant types or groups of Registered Participants,
 - the types and number of fees,
 - the basis for charging fees to Registered Participants, and
 - the period(s) during which the Participant fee structure should apply
- Submissions are not restricted to these areas and comments are welcome on any relevant issue, regardless of whether it is detailed in the consultation paper.

Submissions to the initial Consultation Paper will help shape the Draft Determination for a new fee structure and are due on Tuesday 27 May 2025.

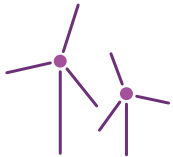


Transitioning NEM, evolving AEMO

Hannah Heath

Group Manager, Strategic Market Reform

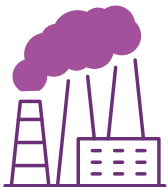
Australia's energy systems are undergoing profound transformation, driven by...



Increasing contributions of Variable Renewable Energy (VRE)...



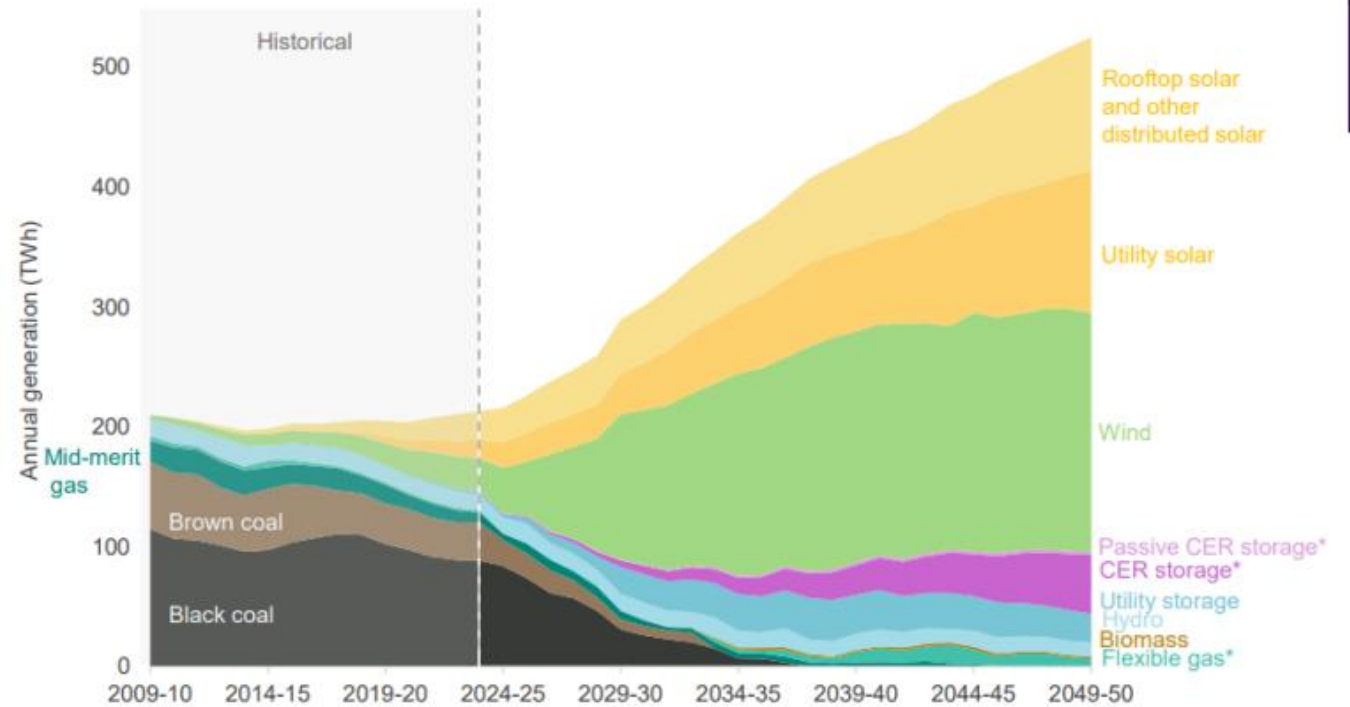
Uptake of Consumer Energy Resources (CER)...



Planned closure of coal fired power stations...

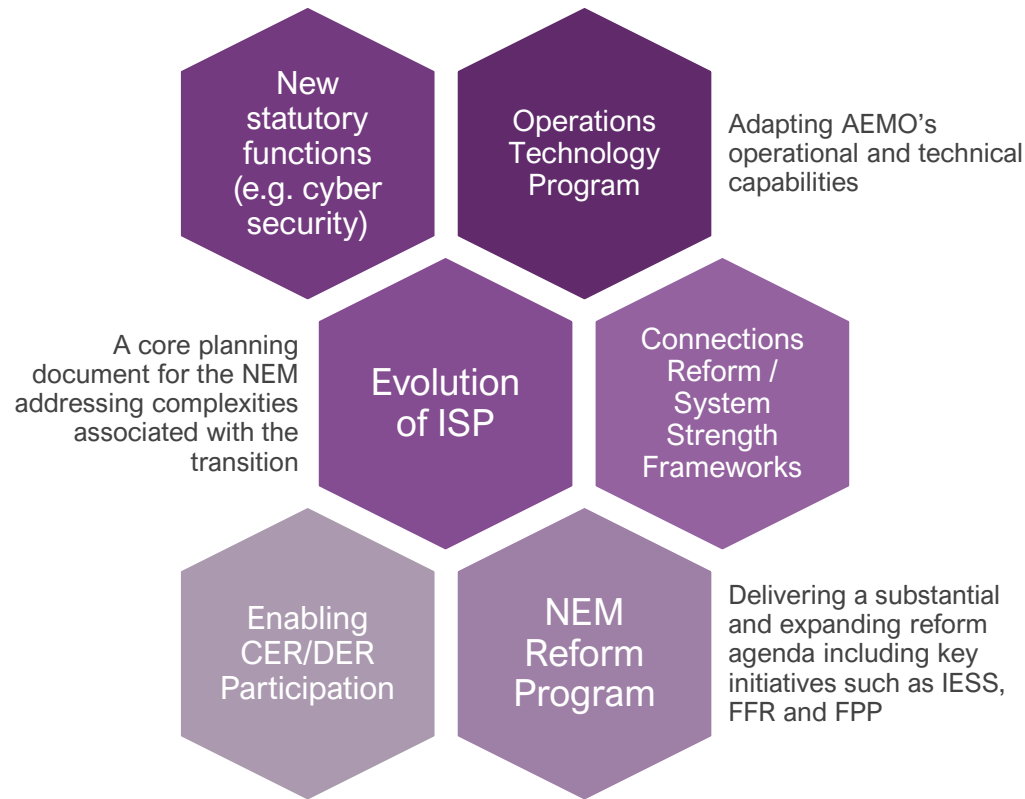


Emergent challenges such as the heightened exposure to cyber threats...



2024 ISP – Generation mix, NEM (TWh, 2009-10 to 2049-50, Step Change)

As the operating environment has evolved, so too have AEMO's roles & responsibilities



...while we work within an increasingly complex operating environment

FY22

- Instantaneous renewables contribution high (NEM): 61.9%
- Planned and unplanned outages of coal-fired generation and a cold snap in southern states resulted in suspension of the NEM.

FY23

- Instantaneous renewables contribution high (NEM): 68.7%.
- SA wind and solar generation exceeded local demand for 10 days.
- SA islanding – ran at 91.45% renewable generation.

FY24

- Instantaneous renewables contribution high (NEM): 72.1%
- All-time low operational demand in SA, Victoria, NSW and QLD, as well as all time high operational demand in QLD.
- Major storms impacted energy infrastructure in Victoria.

FY25

- New all-time low operational demand in NSW and Victoria, as well as new all-time high operational demand in QLD.

AEMO's responsibilities are likely to continue to evolve as we respond to new challenges

Background, rules requirements and guiding principles



Lance Brooks

Manager, Reform Strategy

How do NEM Participant fees work?

AEMO primarily recovers its NEM related costs through via Registered Participants in accordance its determined NEM Participant fee structure

NEM Participant fees includes the following components:

This consultation



1. AEMO develops the NEM participant fee structure through a consultation process and in accordance with the National Electricity Rules (NER), which applies for a fixed period.



2. AEMO undertakes an annual budget and fees process and consultation to determine its revenue requirements for the year ahead.



3. NEM revenue requirements are then recovered from Registered Participants according to the relevant NEM Participant fee structure.

The current fee structure for the NEM commenced on 1 July 2021 and will end on 30 June 2026

Rules requirements

- Clause 2.11 of the NER requires AEMO to have regard to the National Electricity Objective (**NEO**) in determining participant fees and, to the extent practicable, the structure of Participant fees must be consistent with the following principles:
 - The structure of Participant fees should be **simple**.
 - The structure of the Participant fees should **provide for the recovery of AEMO's budgeted revenue requirements** on the basis specified in clause 2.11.1(b)(2) of the Rules.
 - 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.

National Electricity Objective

The **NEO** as stated in **the National Electricity Law (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:

- a. price, quality, safety, reliability and security of supply of electricity; and
- b. the reliability, safety and security of the national electricity system; and
- c. the achievement of targets set by a participating jurisdiction—
 - i. for reducing Australia's greenhouse gas emissions; or
 - ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.””

The Rules do not indicate that one or another of these Fee Structure Principles should have greater weight than the others. There will often be a degree of tension between some of these principles.

AEMO's NEM related functions within scope

Functions within scope

- Power system security
- Power system reliability
- Market operations
- Wholesale metering and settlements
- Electricity retail operations
- Prudential supervision
- National Transmission Planner
- Market development / Reform delivery
- Information dissemination
- Connections and registrations

Total fees payable in relation to AEMO's connection and registration functions are recovered in accordance with Chapters 5 and 2 of the Rules respectively dependent on the function being performed by AEMO

Functions out of scope

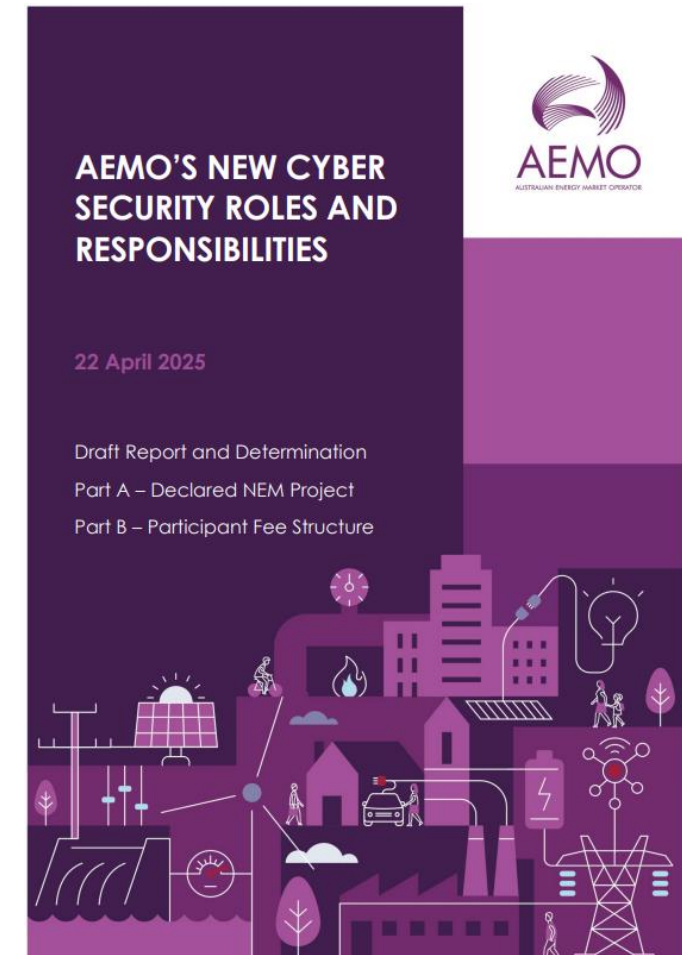
- Gas related functions
 - Wholesale Electricity Market (WEM) Functions
 - Victorian TNSP functions
 - AEMO Services Limited (ASL) functions
- In addition to those functions within scope, AEMO recover funding obligations via its NEM Participant fees as prescribed under the Rules:
 - on behalf of **Energy Consumers Australia (ECA)**, and
 - **Participation Compensation Fund (PCF)**.

Cyber security roles & responsibilities

Declared NEM project consultation

- On 12 December 2024, the AEMC published its final determination and final rule to explicitly include the coordination and support of cyber security preparedness, response and recovery as one of AEMO's power system security responsibilities in Chapter 4 of the NER, as well as four additional cyber security functions that AEMO is to perform
- The amending Rule came into effect on 12 December 2024
- AEMO has subsequently commenced a [two-part declared NEM project consultation](#) process
- **AEMO intend to conclude this consultation by 30 June 2025, the outcomes of which will be incorporated into this general NEM Participant fee structure consultation**

Draft determination published 22nd April. Submissions close 21st May



Establishing a new NEM Participant Fee Structure



Lance Brooks
Manager, Reform Strategy
Reena Kwong,
Specialist, Reform Strategy

Fee structure attributes

Establishing a NEM Participant fee structure in accordance with the Rules requires determination of:

Registered Participants

- Refers to the categories of Registered Participants to be allocated costs as part of the fee structure
- Fee structures may only recover fees from Registered Participants

Types and number of fees

- Refers to the type and number of fees that comprise the NEM Participant fee structure and their relation to AEMO's activities and outputs
- Fee structures must recover AEMO's budgeted revenue requirements on a specified basis

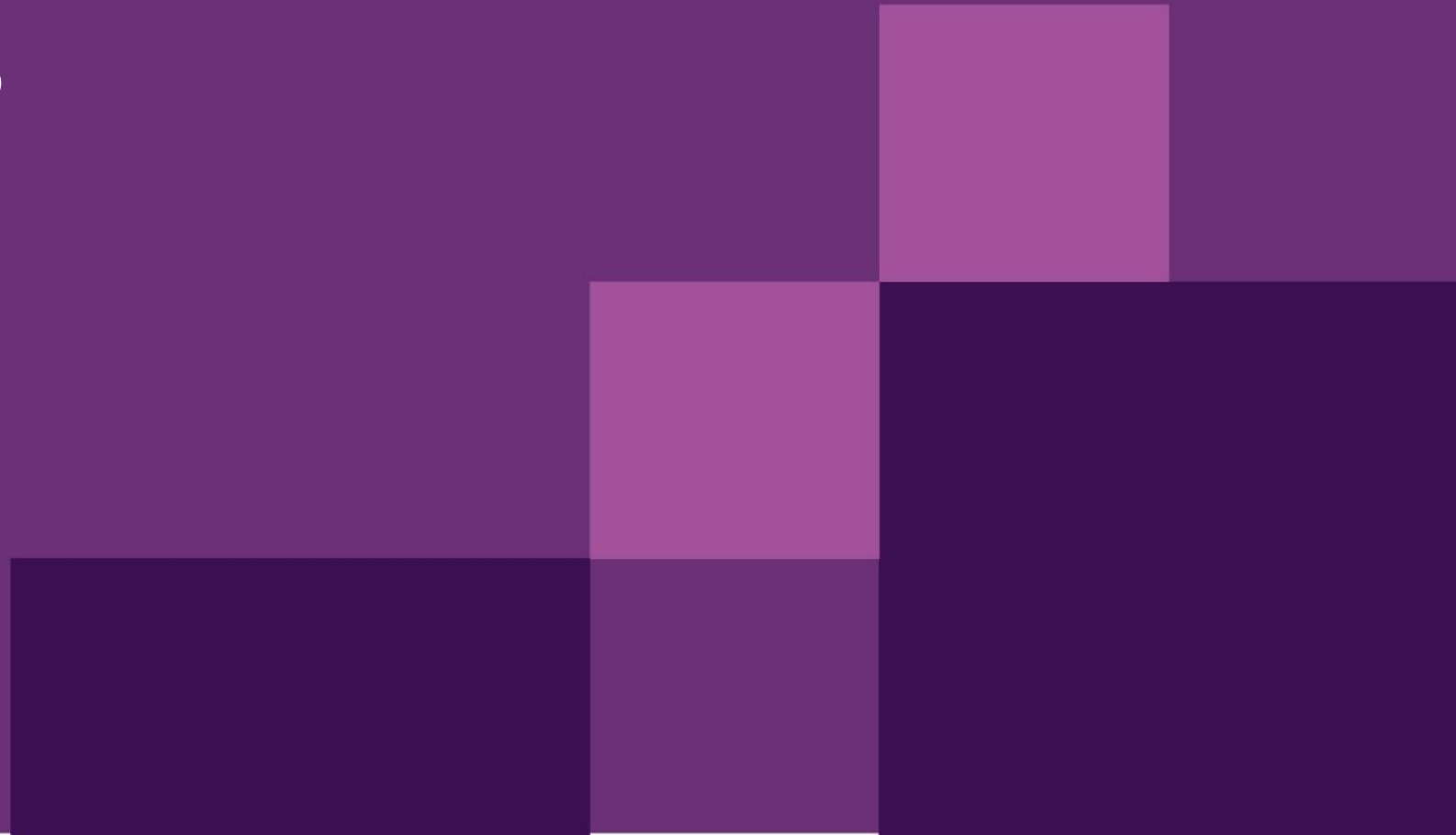
Basis (metric) for charging fees

- Refers to how the Participant fees are to be charged to each relevant Registered Participant category (e.g. \$/MW, \$ per connection point)

Fee structure period


- Refers to the period for which the NEM Participant fee structure determination should apply


Registered Participants




Who currently incur AEMO's NEM Participant fees?

- Under the current NEM Participant fee structures, Registered Participants are grouped into three main categories:

 **Wholesale Participants** – referring to Generators, Market Network Service Providers, Integrated Resource Providers (now including Small Generator Aggregators) and Demand Response Service Providers (previously Market Ancillary Service Providers).

 **Market Customers** – referring to electricity retailers and large commercial and industrial users registered to trade directly in the wholesale electricity market.

NEM Core &
NTP Fees only

 **Transmission Network Service Providers (TNSPs)** – and, where a NEM region has more than one TNSP, the Co-ordinating Network Service Provider (CNSP).

...Fees are currently charged by a range of metrics including by energy (\$/MWh), capacity (MW) or by connection point (\$/NMI).

Attribution to other Registered Participant types

- AEMO notes there are other Registered Participants **who do not incur AEMO fees** at this time but may warrant inclusion in the Participant fee structure moving forward

Distribution Network Service Providers

Progress of market developments and reforms in the NEM have impacted the level of involvement of DNSPs with AEMO's activities and outputs going forward (e.g. National CER Roadmap)

Metering Coordinators

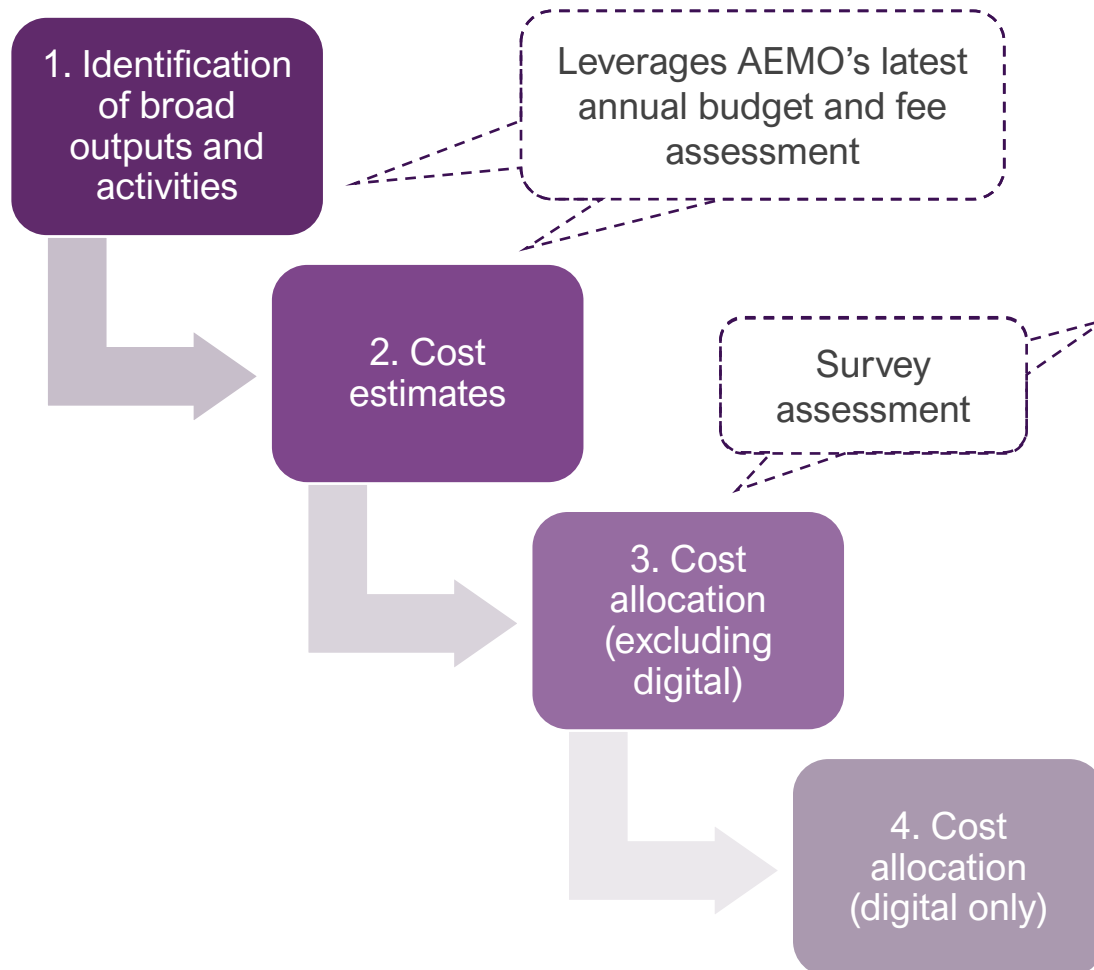
Various reforms have, or are likely to, impact the level of involvement between MCs and AEMO over the course of the next NEM Participant Fee Structure (e.g. Accelerating Smart Meter Deployment)

- Similarly, treatment of new registered participant categories should not, as far as reasonably practicable, unreasonably discriminate against a category or categories of Registered Participants
- Cost recovery from any new category of Registered Participant introduced during a fee structure period can only be accommodated in the existing fee structures if the Rules allow AEMO's existing fee structures to include it

Integrated Resource Provider (IRP)

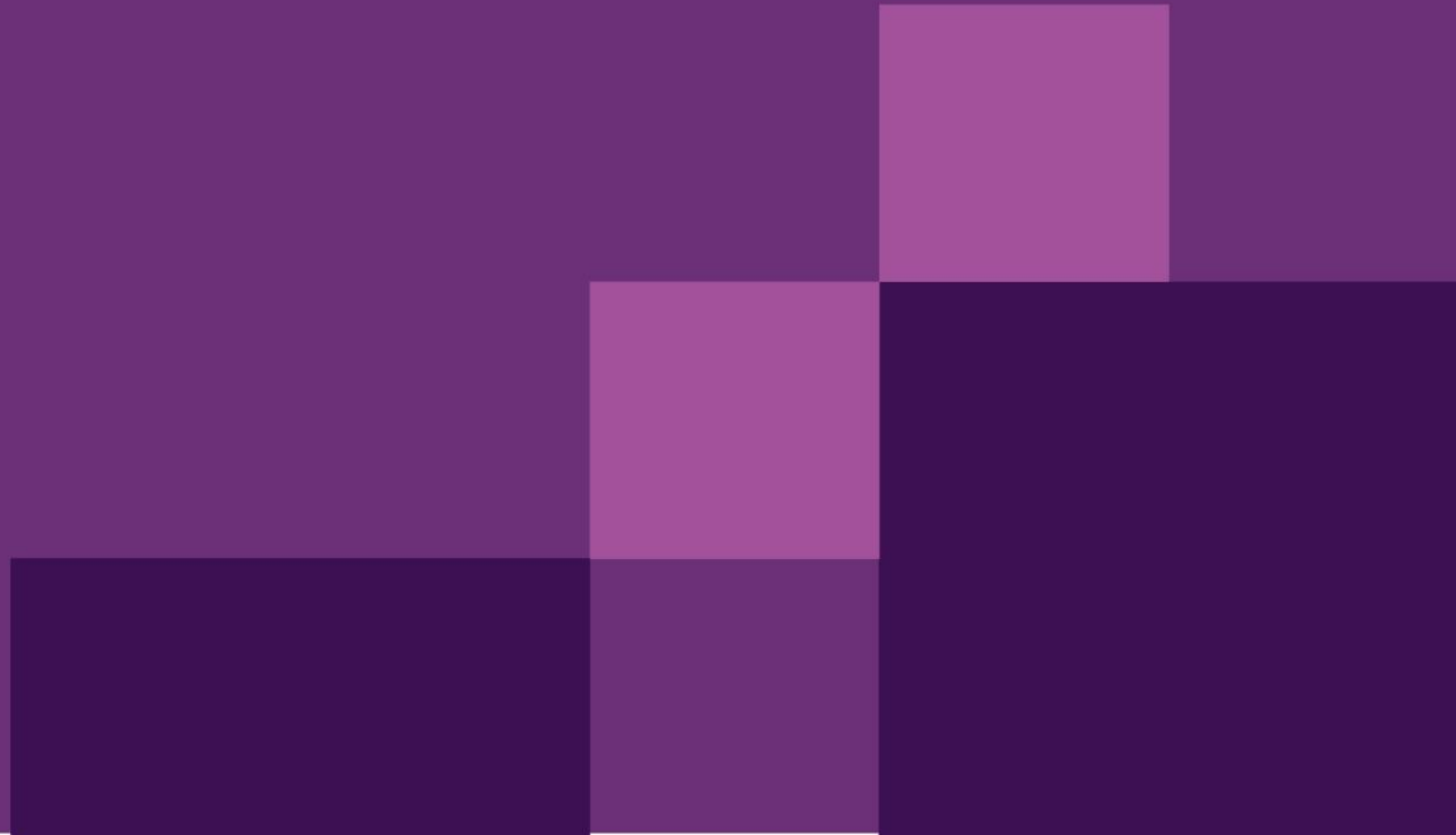
- Introduced as a new Registered Participant category following commencement of the Integrated Energy Storage System (IESS) final rule on 3 June 2024
- The optionality afforded to Participants regarding registering under the IRP category is unique and requires consideration throughout the review

How has AEMO determined the allocation of its fees historically?



- AEMO has historically surveyed its internal Senior Leadership Team (SLT) leveraging their experience and expertise to understand the level of involvement attributed to each Registered Participant, based on AEMO's core functions
- As part of this process, SLT members were instructed to consider factors such as the degree to which:
 - the class of Registered Participant **interacts** with AEMO in relation to the output,
 - the class of Registered Participant **uses** the output,
 - the class of Registered Participant **receives** the output,
 - the class of Registered Participant **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.
- Survey results were verified with relevant SLT members to ensure consistency in assessment approach,
- Weighted were then applied based on current budget at the time to reflect the proportion of the relevant department's costs associated with the output/activity
- Surveys from across the departments were aggregated to determine the final allocation percentage to individual Participant types

Types and number of fees



NEM Participant Fee Structures

As of April 2025

- **AEMO’s existing NEM Participant fee structure provides a comparative basis for designing and evaluating a new fee structure for the upcoming period**
- Currently AEMO has ten (10) separate NEM Participant fees
- The fees provide for the recovery of costs associated with:
 - Core system and market operations, forecasting, planning and registration functions.
 - Delivery of substantial reform programs.
 - Bespoke funding requirements as stipulated in the Rules or aligned to incremental services delivered by AEMO.

Core NEM system and market operations	Reform programs	Legislative funding requirements / incremental services
National Electricity Market (NEM) Core	NEM2025 Reform Program	Energy Consumers Australia
Electricity Retail Markets	IT Upgrade & 5-Minute Settlement /Global Settlements Program	Participant Compensation Fund
National Transmission Planner	Distributed Energy Resources (DER) Integration Program	Incremental charges
Registrations		

Subject to the outcomes of AEMO’s open consultation in relation to recover of costs associated with its new cyber security roles and responsibilities an additional (separate) fee may be included in this list from 1 July 2025

NEM Participant Fee Structures

Core NEM system and market functions

AEMO
initial position

NEM Core fee

Recovers costs associated with AEMO's core NEM functions, including power system security and reliability, market operations, long-term energy forecasting and planning, and metering and settlements

Wholesale Participants (55.9%)
Market Customers (26.6%)
TNSPs (17.5%)

Modify

Electricity Retail Markets fee

Recovers cost associated with managing and supporting retail market functions and customer transfers, managing data for settlement purposes, implementation of market procedure changes, and business to business processes.

Market Customers (100%)

Retain

National Transmission Planner fee

Recovers costs associated with AEMO's NTP function including forecasting, modelling and planning required to support the energy transition

Coordinating Network Service Provider (CNSP) (100%)

Retain

Registrations fee

Recovers costs associated with AEMO's registration of Participants in the NEM

Registering Participant (100%)

Modify

NEM Participant Fee Structures

Reform Programs

NEM2025 Reform Program fee	Recovers costs associated with the declared NEM project that consists of a suite of electricity market reforms to address the needs of the energy transition	Wholesale Participants (27.5%) Market Customers (72.5%)	<div>AEMO initial position</div> <div>Modify</div>
IT Upgrade & 5-MS / GS Program fee	Recovers costs associated with the implementation of 5-Minute settlement and global settlement rule changes	Wholesale Participants (18%) Market Customers (82%)	<div>Retain</div>
DER Integration Program fee	Recovers costs associated with key initiatives / workstreams to support the integration of high levels of DER into the NEM	Wholesale Participants (20%) Market Customers (80%)	<div>Modify</div>

Potential opportunities to **simplify** these three fee structures due to overlap in program scope

NEM Participant Fee Structures

Legislative Funding Requirements / Incremental Services

Energy Consumers Australia fee	Recovers funding AEMO is required to collect on behalf of the ECA. The ECA advocate on national energy market matters of strategic importance for energy consumers	Market Customers (100%)	Retain
Participant Compensation Fund fee	Recovers funding AEMO is required to pay compensation to Scheduled & Semi-Scheduled Generators and Scheduled NSPs as determined by the Dispute Resolution Panel for scheduling errors	Scheduled & Semi-Scheduled Generators and Scheduled NSPs (100%)	Retain
Incremental Services fee	Recovers costs associated with tasks specific to a Registered Participant, whereby that action causes identifiable and material costs for AEMO. This is a direct charge to the Registered Participant based on the task	Registered Participant (100%)	Modify

AEMO
initial position

Cyber security roles & responsibilities

Declared NEM project consultation – Draft determination

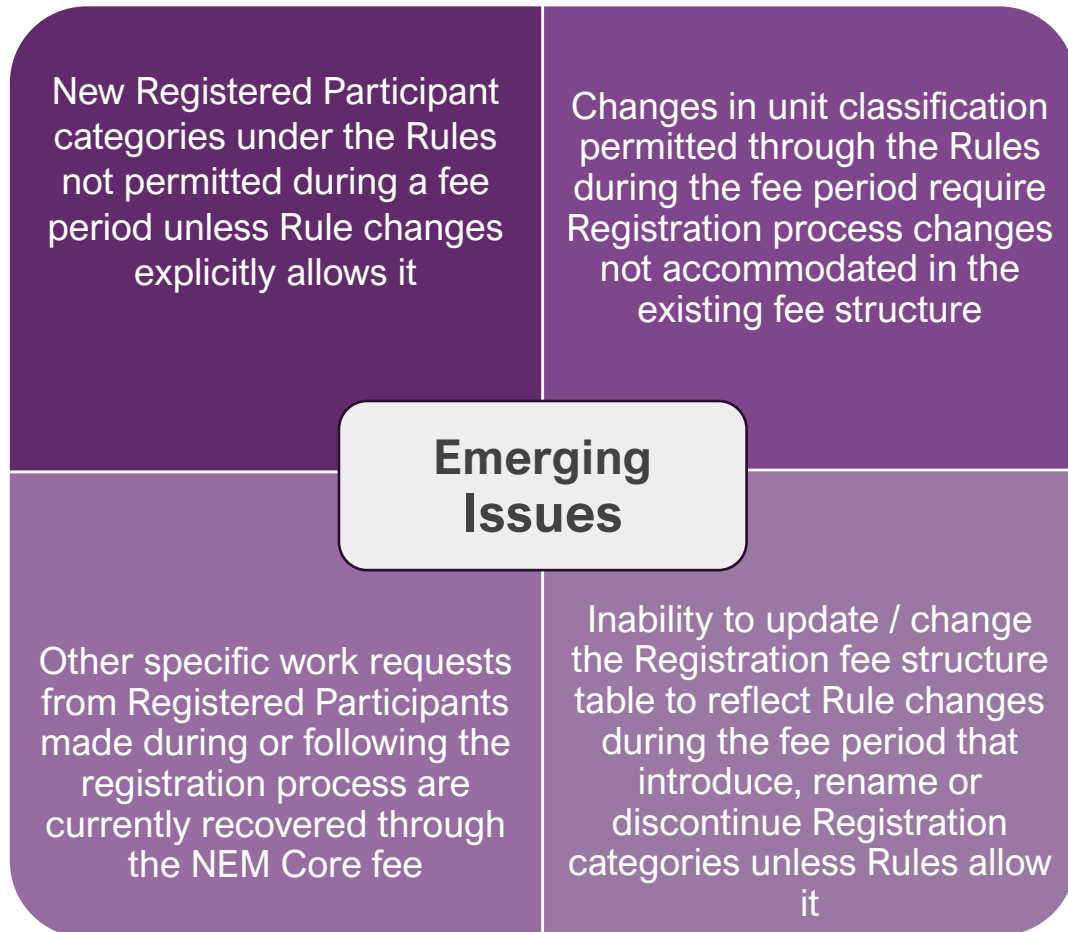
- AEMO's Draft Determination published on 22 April 2025 proposed:
 - Part A – to determine the new cyber security roles and responsibilities as a declared NEM project **having met two criteria** to pursuant to clause 2.11.1(ba) of the Rules.
 - Part B – for an **additional, separate 'Cyber Security' fee to be established** to recover the costs of the new cyber security roles and responsibilities declared NEM project as determined under Part A.

The recovery of costs associated with new cyber security roles and responsibilities would **commence from 1 July 2025**.

The costs to be recovered from AEMO's new cyber security roles and responsibilities will be included in the NEM Participant fee structure review regardless of whether it is determined a declared NEM project or not



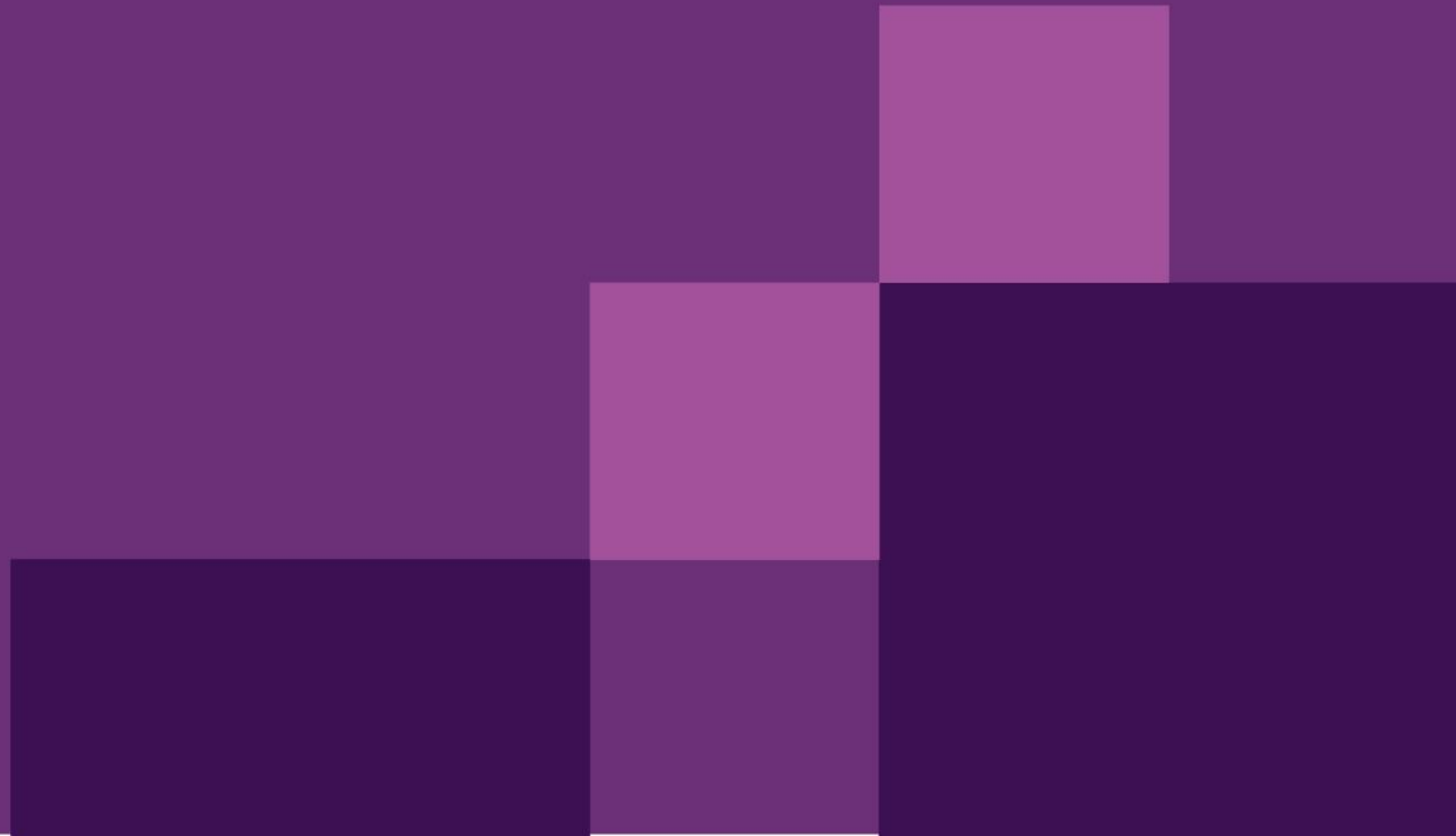
Example additional matters: Registration fee structure



EXAMPLE POTENTIAL CHANGES

- The new fee structure to expressly refer to Registered Participants under Ch. 2 of the Rules being charged for applications/requests or as set out in AEMO's annual Budget and Fees report
- Additional post-registration activity costs to be recovered via a separate fee structure, or via an Incremental Service fee should one be determined as part of the new Participant fee structure

Basis (metric) for charging



Current basis for charging NEM Participant fees

RATIONALE

EMERGING ISSUE

Wholesale Participants	Market Customers	TNSPs / CNSPs
<ul style="list-style-type: none"> 50% as a daily rate based on capacity 50% as a daily rate based on MWh energy or FCAS enablement for previous FY 	<ul style="list-style-type: none"> \$/MWh for a FY based on AEMO's estimate of total MWh to be settled in spot market transactions during that FY (then applied to actual spot market transactions in the billing period); and \$/NMI basis per week. Based on absolute net energy 	<ul style="list-style-type: none"> 100% based on respective jurisdiction energy consumed in the last FY
<ul style="list-style-type: none"> Balances dynamic and allocative inefficiencies of applying a single (i.e. fixed or variable) charging approach. Addresses equity concerns across the group given potential differences in size (MW) and operation of individual facilities. 	<ul style="list-style-type: none"> Provides for a more equitable recovery of costs across the different MC groups (i.e. small / large, higher consumption / lower consumption). \$/NMI approach for retail customers provides same distributive effect to end consumer as per transaction approach. 	<ul style="list-style-type: none"> Consistent with AEMC's reallocation of NTP costs final rule where AEMO collaborated with the ENA on development of the charging mechanism (included assessment of alternative options).
<ul style="list-style-type: none"> Use of historical FY data may no longer be appropriate: <ul style="list-style-type: none"> Ageing fleet of coal-fired stations is leading to an increase in unplanned and planned outages, New generators are not charged for the first 12 months as there is no data available for the previous FY 	<ul style="list-style-type: none"> Use of net charging approach is not consistent with changes implemented under IESS Rule for other cost recovery mechanisms: <ul style="list-style-type: none"> Cost recovery for FCAS, Directions, RERT moved to gross charging Zero/low fees may be charged if ACE / ASOE coincidentally offset each other in a 5min interval 	

Fee structure period



Fee structure period

- For the past four determinations (2006, 2011, 2015, 2021) AEMO fixed the duration of the fee structure at five years following consultation.
- A longer fee structure period (e.g. seven years) could provide Registered Participants with greater certainty and predictability over the structure of AEMO's NEM Participant fees
- A shorter fee structure period (e.g. three years) may provide greater flexibility to address potential developments in the NEM and Rules, such as the introduction of new categories of Registered Participants
- The Rules permit AEMO to determine a declared NEM project and subsequent additional fee structure, which can provide sufficient flexibility until the next NEM Participant fee structure determination

AEMO's Consultation Paper noted that a five-year period provided the right balance having regard to consistency with the fee structure principles and NEO

Next Steps

Heath Kantor

Principal Stakeholder Engagement Advisor

Consultation and next steps



For more information

- Join the [AEMO Communications mailing list](#) to keep up to date with the publication of the Draft and Final Determination
- The NEM Participant Fees Structure Review Consultation Paper, Stakeholder Engagement Plan, and fact-sheets can all be found at [National Electricity Market \(NEM\) Participant Fee Structure Review](#)
- Questions? Please contact the AEMO Reform Strategy team: reformdevelopmentandinsights@aemo.com.au

Questions & comments

Questions for discussion

- What aspects of AEMO's existing NEM participant fee structures would you retain or modify?
- What issues are important to be resolved in the new NEM Participant fee structure?



For more information visit

aemo.com.au