

27 May 2025

Mr Lance Brooks  
Manager Reform Strategy  
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Via email: [reformdevelopmentandinsights@aemo.com.au](mailto:reformdevelopmentandinsights@aemo.com.au)

Dear Mr Brooks and colleagues,

***Consultation Paper – NEM participant fee structures review April 2025***

SA Power Networks appreciates the opportunity to respond to the Australian Energy Market Operator (AEMO) NEM Participant Fee Structures Consultation Paper, April 2025 (the **Consultation Paper**). We provide the following comments on the Consultation Paper.

Distribution Network Service Providers (**distributors**), operate under a regulated framework with revenue allowances and expenditure scrutinised and set by the Australian Energy Regulator (**AER**). This framework differs substantially from the commercially flexible environments of other market participants. Fee structures must account for distributors' unique obligations and financial constraints, especially the need for the predictability of costs over 5-year revenue determination cycles.

SA Power Networks cautions against allocating costs solely based on participation or 'touch points'. In many cases, distributor involvement reflects statutory or regulatory obligations rather than commercial choices. Distributor involvement with AEMO is typically to assist it in discharging its roles and responsibilities under the National Electricity Market (**NEM**) or for the benefit of our end-use customers (e.g. retail customers).

In its Draft Report and Determination Electricity Fee Structures (November 2020) Section 4.4 Charging NSPs, AEMO used the following comment to support its position to charge Network Service Providers (NSPs) including distributors.

*"Meanwhile, DNSP involvement with AEMO's revenue requirements has increased due to DER management – particularly rooftop solar PV curtailment in periods of low demand for the South Australian network and a similar situation emerging in Queensland – ..."*

Since the Report, SA Power Networks has made significant investments to manage Customer Energy Resources (CER) / Distributed Energy Resources (DER), including the ability to limit rooftop solar PV during periods of low demand for the benefit of retail customers. Our investment in the flexible exports programme serves a dual purpose: it allows customers to maximise their exported energy while also providing the capability to curtail their exported energy at times of network constraints or

low demand. In addition, we have invested to limit the energy export of solar PV that is not part of the flexible export programme during periods of low demand on the South Australian network. These strategies, programs and investments enable us to shed load and/or generation to assist AEMO in discharging its obligations to maintain system security. It would be inappropriate for AEMO to now allocate its costs to distributors when these distributors are investing significantly to assist AEMO in fulfilling its responsibilities.

Distributors already bear costs for major reforms such as DER integration through their network operations obligations. Where reforms primarily benefit other market participants (e.g., aggregators, retailers, customers), a cost recovery model based on benefits is more appropriate for these costs. Other parties receive greater benefits than distributors.

SA Power Networks agrees that the operating environment has evolved and so have the roles and responsibilities of both AEMO and distributors. Distributors are at the forefront of the CER / DER evolution where retail customers are connecting CER / DER in increasing volumes to distributors' networks. In addition, there are high volumes of medium scale (200kW to 5MW) CER /DER connecting to distribution networks.

As a result of the evolving CER / DER environment, distributors are interacting with AEMO on a more frequent and collaborative basis but we consider that this engagement benefits both AEMO and SA Power Networks. As highlighted above, we are incurring considerable costs to assist AEMO discharge its NEM roles and responsibilities. AEMO should not impose additional participant fee costs on distributors. Distributors also incur direct AEMO (charge for AEMO costs) costs associated with assisting/assessing National Electricity Rules (NER) Chapter 5 connections.

SA Power Networks highly values its engagement with AEMO and the significant benefits that result for end-use customers.

We also consider that simplicity in fee structures drives efficiency. All NEM fees are ultimately paid by customers but the addition of further payment steps, administration and regulatory processes in between AEMO's fees and customers, will increase overall costs and reduce efficiency. This does not satisfy the National Electricity Objective (NEO). A benefits-based approach to fee setting:

- recognises when involvement is in service of broader system/consumer benefits; and
- avoids penalising participants' involvement and interactions with AEMO, so the fee structure supports (rather than discourages) system-wide efficiency and innovation.

Further, Increasing the suite of Registered Participants who incur NEM fees adds greater administration and transaction costs to end use energy consumers. This is particularly the case for distributors, where broadening the suite of parties subject to fees would require them to develop and apply complex methodologies to forecast fees many years in advance. Broadening the types of NEM participants subject to AEMO fees would not be an efficient or simple approach to recovering AEMO's costs.

When allocating its costs to Registered Participants, SA Power Networks believes that AEMO should take into account the costs that a Participant already incurs in its interactions with AEMO for the benefit of end-use customers. For example, SA Power Networks incurs the costs of more than 10 full-time equivalent employees in its engagements with AEMO. This engagement is beneficial to both AEMO and us.



SA Power Networks advocates for a more outcomes-based, or benefits based, approach to fee allocation, that recognises when participant involvement with AEMO is in service of broader system/consumer benefits. Such an approach avoids penalising participants' involvement and interactions with AEMO, so the fee structure supports (rather than discourages) system-wide efficiency and innovation.

If you have any queries regarding SA Power Networks' submission, please contact Mr Grant Cox on 08 8404 5012 or [grant.cox@sapowernetworks.com.au](mailto:grant.cox@sapowernetworks.com.au).

Yours sincerely



Richard Sibly  
HEAD OF REGULATION

