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Tuesday, 27 May 2025

Australian Energy Market Operator

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AEMO's NEM participant fee structure

Transgrid welcomes the opportunity to respond to the Australian Energy Market Operator's (AEMO) NEM participant fee structure consultation paper, which was published on 10 April 2025. The consultation paper is seeking feedback on the development of the structure of participant fees to apply from 1 July 2026. The consultation applies to the allocation methodology for the fees, and it is proposed that as the total amount to be allocated continue to be determined on an annual basis via the AEMO budgeting process.

As the NSW Transmission Network Service Provider (TNSP), Transgrid supports AEMO as the energy market operator which includes core planning role, delivering and expanding reform agendas and maintaining operations technology program.

We understand that AEMO's consultation will consider key fee structure attributes including allocation of fees and the basis for charging fees to registered participants. Transgrid is supportive of this work and encourage AEMO to ensure the process is transparent and fair.

1. Cost transparency

Transgrid supports the guiding principle of 'simplicity' in determining AEMO's participant fee structure. In particular, we support AEMO's interpretation that fees should be "foreseeable and forecastable in terms of impacts and costs", as well as straight forward and easily understood. Transgrid believes that it is essential for consumers to have transparency and visibility of costs given these costs will be passed on to them by TNSPs in network charges. We believe increased transparency will build trust between consumers, regulators and market participants.

It is particularly important for TNSPs to have forward visibility of fees following the AEMC's 2022 Rule Change on *Recovering the cost of AEMO's participant fees* which concluded that (following a transitional period) AEMO fees for TNSPs are to be managed through the incentive-based revenue determination framework. TNSPs must therefore have accurate fee forecasts (including escalation assumptions) for the entire prospective five-year regulatory control period to incorporate when preparing revenue proposals. TNSP fees must be capped at these levels, as we will have no mechanisms available to recover any additional costs once revenue determinations are completed. It is not in the best interests of energy consumers for TNSPs to have to reduce essential expenditure (e.g. on asset maintenance, system operations or core business functions) to accommodate unexpected AEMO fee increases during the revenue control period.

As such, we encourage AEMO to:

1. Consult with registered participants on proposed work plans, including providing forward visibility of costs, underlying assumptions, proposed activities and benefits. This will help to ensure that the expected users and beneficiaries of AEMO's work outputs agree with the value proposition and approach to deliver it in the most effective and efficient way possible.
2. Provide fixed forward budgets for at least five years (likely seven years) to enable NSPs to accurately account for associated costs when preparing revenue proposals for future revenue periods and support full cost-recovery. This should include detailed cost breakdowns, including escalation assumptions and supporting information that can be used to explain fees to consumers (who ultimately bear their cost).
3. Establish fee structures that are stable and enduring for the duration of NSP revenue control periods.

2. New energy system roles and participants

Transgrid notes that the energy system has evolved significantly since the current AEMO fee structure was developed five years ago. The consultation paper notes that new categories of participants have been established or have significantly expanded their involvement in AEMO work during this period (such as metering coordinators, small resource aggregators, integrated resource providers and DNSPs). In principle, Transgrid supports expanding fee allocation to include these participant categories if they are materially involved in or benefit from AEMO work programs.

Currently DNSPs are not allocated any share of any of AEMO's various participant fees¹. AEMO has appropriately highlighted in the consultation paper that the level of involvement of DNSPs with AEMO's activities and outputs is likely to increase. This will include upcoming initiatives to be implemented under the NEM Reform Program and the National CER Roadmap which will require DNSPs to engage more with the broader market, and subsequently with AEMO's operational systems, procedures and processes. Therefore, we believe a portion of this fee should be allocated to DNSPs as well.

Transgrid also notes that several state-based frameworks have been established in this time, including the NSW Electricity Infrastructure Roadmap and associated programs under the Electricity Infrastructure Investment Act 2020 (EII Act). This introduces new roles and responsibilities in NSW, including an Infrastructure Planner and contestable TNSPs who also engage with AEMO and benefit from its work outputs, alongside other TNSPs and Jurisdictional Planning Bodies. We consider that a substantial share of AEMO activity that was previously assigned to TNSPs and CNSPs is now split between incumbent and newly created entities.

We consider that AEMO's participant fee structures and allocation methodologies should evolve to allocate and recover a reasonable share of costs from these entities. This would ensure that the costs associated with planning for, and facilitating interfaces with, state-based frameworks

¹ AEMO Electricity Fee structure Final report and determination, March 2021 - [AEMO | Electricity Market Participant Fee Structure Review](#)

are appropriately recovered via structures that align with the objectives and beneficiaries of those frameworks rather than from incumbent entities under the National Electricity Rules (NER), and ultimately energy consumers via network fees. This supports the guiding principle of 'Reflective of Involvement' and allows for transparent accounting of the costs (and benefits) of jurisdictional energy programs separately from the NER.

3. Fee Allocation

3.1 Allocation between participant classes

Transgrid understands that the current NEM participant fee structure is based on AEMO management estimates of the split of staff time and costs dedicated to activities and outputs, and their judgements about the level of involvement, use and benefit of various work activities and outputs for each class of registered participant. These estimates were applied to the FY2021 AEMO budget as the basis for cost attribution. Transgrid considers that this process is qualitative, and represents a point-in-time view that may no longer be representative. We recommend that at minimum, these surveys and reviews be updated to reflect activities over the last financial year. We also suggest that this process could be made more robust with the use of activity-based labour tracking for AEMO staff, rather than management estimates.

Transgrid would welcome AEMO sharing more information about how allocations are determined when more than one participant class is deemed to be involved with, or benefit from, an activity or output. We think it may be overly simplistic to split costs evenly between participant types as a default. For example, if an activity were deemed to benefit both market participants and TNSPs, we do not think a 50/50 split between the two groups would be appropriate; Consideration should be given to the relative benefits each group receives, as well as the relative number and total size of participants in each class. We do not consider that the one-third allocation of fees to each of wholesale participants, market customers and TNSPs as proposed in the Draft Determination on AEMO's new cyber security roles and responsibilities demonstrates a rigorous assessment of these matters.

Transgrid considers that the current activity-based method for allocating costs amongst classes of registered participants is heavily weighted towards the degree to which they interact with AEMO in relation to the activity or output, and limited regard is given to the extent to which they benefit from the output. We consider that all classes of registered participant benefit from the operation of a reliable and secure power system, which is a prerequisite for efficient market operations.

We consider that fee allocation between participant classes should include balanced consideration of participant involvement and benefit. For example, this could involve a blended factor which incorporates activity-based assessment (the current process) as well as the split of revenues realised in the market/energy system. Over the past five years since the participant fee structure was last reviewed, wholesale market revenues (i.e. NEM turnover) have increased by

around 70%, while TNSP and DNSP revenues have grown by approximately 13% and 11% respectively².

3.2 Allocation between TNSPs and CNSPs

The development of Renewable Energy Zones (REZ) will likely include new, large, TNSPs that are primarily focused on connecting generation, rather than servicing consumer load. As a result, we consider that allocating fees amongst TNSPs on the basis of energy consumed is unlikely to be equitable into the future. We suggest that allocating TNSP fees on the basis of the size of Regulated Asset Base (RAB) would be more appropriate (or, to allocate fees amongst jurisdictions based on energy consumed, and then within each region, split fees based on local TNSP RAB).

4. NEM participant fee structure

Currently AEMO has ten separate NEM Participant fees with the intention to modify 5 of this structure. We support efforts to simplify, combine and streamline these fees if possible, and where reasonable, to extend fee structures to include new classes of participant.

Transgrid supports the principle that fee components charged to registered participants should be reflective of their involvement in (and benefit from) the underlying AEMO activity. As such, we consider that it is appropriate that several fee types that relate to wholesale and retail market activities and reforms should be allocated to Wholesale Participants and Market Customers – including Electricity Retail Markets fee, IT upgrade and 5MS/GS compliance fee, DER program, Energy Consumers Australia fee and NEM Participant Compensation Fund. We do not consider that TNSPs should be allocated these fees.

4.1 NEM Core fee

This 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. Currently TNSPs are allocated 17.5% of the 'allocated costs' for these fees. AEMO has indicated that it is planning to modify this component of the fee.

Transgrid considers that there would be benefits to restructuring the NEM Core fee into a 'Base' component that is able to be forecast and fixed on a forward-looking basis, and a 'Flexible' component that would capture any additional costs over and above the base. TNSPs (and if applicable, DNSPs) would be allocated fees from the base only, given their requirement for predictability, while flexible fee components could be allocated to market participants who have greater capacity to recover dynamic costs on a year-by-year basis. Percentage split of fees for different participant classes for the base and flexible components could be adjusted to achieve the same outcomes as the existing fee structure, while also recognising the relative needs and capabilities of different organisations.

² Source: AER State of the Energy Market reports 2021 and 2024. Compares revenue in nominal terms in FY2024 to FY2020 or CY2020

4.2 National Transmission Planner fee

This fee recovers costs associated with AEMO's National Transmission Planner (NTP) function including forecasting, modelling and planning required to support the energy transition. This is currently fully recovered by Coordinating Network Service Provider (CNSP). We understand that AEMO is considering retaining this allocation.

The EII Act has introduced a new role in NSW of the Infrastructure Planner which is responsible for leading the planning, design and coordination of REZ (amongst other things). The Infrastructure Planner participates in joint planning alongside Transgrid and other TNSPs in national and jurisdictional forums. We consider that National Transmission Planning fees for NSW should be split between Transgrid as the Jurisdictional Planning Body and CNSP and the Infrastructure Planner, reflecting its role in, and benefit from the Integrated System Plan (ISP) and associated joint planning work.

Transgrid also notes that a Transmission Planning Review is currently underway in NSW which could produce recommendations that some transmission planning functions currently undertaken by Transgrid should be reassigned to a NSW government entity, such as coordination of strategic transmission planning and ISP joint planning. Transgrid considers that pending the outcomes of this review, National Transmission Planning fees may need to be reallocated to reflect any structural change.

As the ISP scope and modelling methodology evolves, it will increasingly consider constraints and opportunities in adjacent segments including distribution networks and gas systems. We suggest that the involvement and benefits for participants in these segments should be monitored, and that fee allocation should be expanded accordingly if their involvement becomes material.

4.3 NEM2025 Reform Program fee

This 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. AEMO currently recovers this fee from wholesale participants and market customers.

Transgrid considers that the majority of AEMO's reform program is focused on market-facing issues, and that future work is likely to include implementation of recommendations arising from the 'Nelson' Wholesale Market Settings Review (and therefore also be market-focused). We do not consider that TNSPs are materially involved with, or benefit from, this program of work. We therefore consider that these fees should continue to be allocated to Wholesale Participants and Market Customers. We think that it is appropriate that innovative or reform-based work involving TNSPs should be conducted via joint planning forums and kept separate under the National Transmission Planning work program.

4.4 Connections and Registrations

Transgrid notes that AEMO recovers its costs arising from advisory functions for generator connections from the relevant NSP. We are comfortable with this approach, and we pass on these costs to the relevant connecting generator.

We appreciate the opportunity to provide a submission to the consultation and look forward to continuing to work with AEMO and industry. If you would like to discuss this submission, please feel free to contact Zainab Dirani, Policy and Advocacy Manager at zainab.dirani@transgrid.com.au.

Yours faithfully

A handwritten signature in dark ink, appearing to read "Fiona Orton".

Fiona Orton
General Manager of Innovation and Energy Transition