

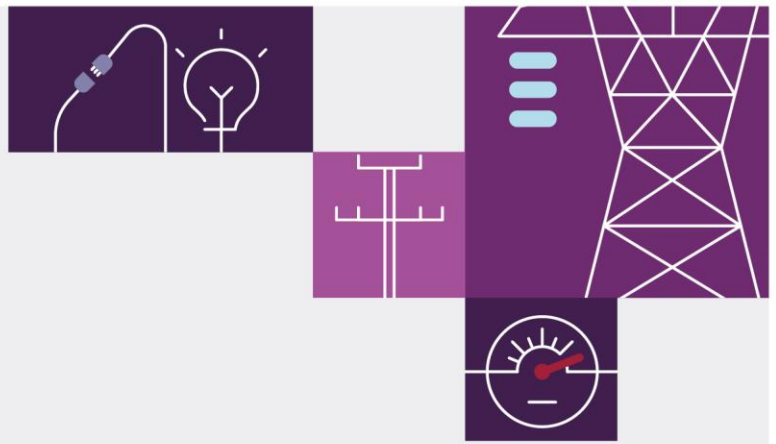
# Structure of Participant Fees for AEMO's NEM2025 Reform Program

February 2023

## Engagement Plan

AEMO's plan to engage with stakeholders on the NEM2025 Reform Program's participant fee structure.





# Important notice

## Purpose

AEMO is consulting on the determination of the structure of Participant fees to recover costs for the National Electricity Market (NEM) 2025 Reform Program. This engagement plan outlines our intended engagement approach with stakeholders to support this consultation.

We welcome input from stakeholders on our engagement plan. We will make additions and amendments to this plan as this consultation evolves and will consider all feedback to improve future stakeholder engagement.

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## Version control

Version	Release date	Changes
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# 1 Overview

**This engagement plan supports AEMO's consultation on the structure of Participant fees to recover costs for the National Electricity Market (NEM) 2025 Reform Program.**

In September 2022, AEMO released its final determination to declare the NEM2025 Reform Program a declared project under the National Electricity Rules (NER or the Rules)<sup>1</sup>.

The NEM2025 Reform Program involves changes to key elements of the energy market design. This will facilitate Australia's transition towards a modern energy system capable of meeting the evolving wants and needs of consumers, as well as enable the continued provision of the full range of services to customers necessary to deliver a secure, reliable and lower emissions electricity system at least-cost.

The focus of this engagement and consultation will be on how costs from the NEM2025 Reform Program are ultimately recovered. It is our aim to collaborate with stakeholders to determine a reasonable approach and one that is in accordance with the NEL and NER for this to occur. We will present potential options for recovery of these costs through our formal consultation process and are open to input and feedback from stakeholders on potential alternative options – there is no preferred option at this stage.

For detailed information, visit [NEM2025 Reform Program](#).

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<sup>1</sup> See <https://aemo.com.au/consultations/current-and-closed-consultations/declared-nem-project-nem-2025-reform-program>



## 2 Purpose

The topic of additional fees and ‘who pays’ for the NEM2025 Reform Program is relevant to a wide range of stakeholders (consumers, industry, government and market bodies). We are committed to collaborating extensively with stakeholders on this topic and determining an appropriate way forward, given the ultimate impact of additional fees on consumers.

We also recognise feedback from stakeholders through our recent annual budget and fees consultation and through our annual survey process about the opportunity to:

- be clear from the outset about how we intend to engage and the objectives of our engagement;
- provide greater transparency around the nature and form of funding mechanisms; and
- ensure engagement is genuine, considered and that feedback received is captured and clearly responded to.

The purpose of this engagement plan is to clearly articulate how we intend to engage on this important topic. **We have prepared and published this engagement plan as a draft and welcome input and feedback from interested stakeholders on the content of our plan at any time during the process.** We will update this plan based on relevant feedback received and apply any learnings to future engagement processes.

We will also present and discuss this plan with our relevant AEMO engagement committees (e.g. our Reform Delivery Committee (RDC), Financial Consultative Committee (FCC) and Consumer Forum) to seek input.

# 3 Goal, objectives and commitments

This section outlines:

- our engagement goal and its alignment with the NEM2025 Program guiding principles;
- a set of objectives that are tied to our broader Corporate Plan; and
- our engagement commitments to stakeholders.

We also recognise the need to ensure regulatory and legal compliance with the National Electricity Rules (NER), National Electricity Objective (NEO) and National Electricity Law (NEL). Regulatory and legal compliance is a foundational element that must be met. While it will be an important consideration for any fee recovery mechanism proposed, we have not called out compliance specifically as part of our stated goal, objectives and commitments.

## 3.1 Goal and objectives

To collaboratively develop a fee recovery mechanism for the NEM2025 Reform Program that is considered by stakeholders and AEMO reasonable and one that is in accordance with the NEL and NER.

The goal we have set for this engagement and consultation sets our intent to:

- Collaborate on our proposed fee recovery mechanism. We will propose high level options for a fee recovery mechanism as a starting point for consultation. We will then work with stakeholders on the development of these options, as well as actively seeking potential suitable alternatives to the options we propose.
- Propose a fee recovery mechanism that stakeholders and AEMO consider to be reasonable and one that is in accordance with the NEL and NER. We recognise that the topic of fee recovery is challenging, and the intent is not to achieve consensus/agreement from all stakeholders. However, our aim is that while stakeholders may not ultimately agree on all elements, the mechanism is broadly considered reasonable in its application and in accordance with the NEL and NER.

This goal is underpinned by the three key guiding principles of the overall NEM2025 Program, which are:

- **Work collaboratively with stakeholders:** The program will be run with high levels of stakeholder engagement, providing industry with a forward view of periodic deployments to assist industry with their own planning and delivery activities.
- **Deliver effective solutions:** We will work closely with the Energy Security Board (ESB) and industry to ensure the solutions are aligned with AEMO target state architecture and ESB reform timelines.
- **Deliver as efficiently as possible:** We will continually work to identify opportunities for cost savings through effective program governance, management, monitoring, and solution design. Projects within the program will be bundled and sequenced to implement reforms efficiently.

We have also aligned this engagement plan and the NEM2025 Reform Program Participant Fees consultation to the broader objectives under our current Corporate Plan. The strategic alignment with relevant Corporate Plan priority areas is outlined in Table 1.

**Table 1 Objectives and alignment with Corporate Plan**

Corporate Plan priority	Priority description	Relevant objectives for this engagement
<b>Priority 2 – Navigating the energy future</b>	Support and deliver mandated reforms and improvements to critical systems and markets efficiently, cooperatively and cost-effectively.	<ul style="list-style-type: none"> <li>• <b>Reform delivery:</b> efficiently and effectively deliver mandated and essential reform programs on behalf of the industry as required, with a strong focus on efficiency and reducing costs to industry and consumers.</li> <li>• <b>Reform collaboration:</b> we proactively support the energy transition through collaboratively working with the industry, market bodies and governments on reform development to meet emerging challenges, lower costs and capture opportunities.</li> </ul>
<b>Priority 3 – Engaging our stakeholders</b>	Be a trusted partner working with our members and stakeholders, to deliver better outcomes for energy consumers.	<ul style="list-style-type: none"> <li>• <b>Meet and exceed stakeholder expectations:</b> we actively engage, listen and respond to feedback from our members and stakeholders, motivated by a strong energy consumer focus and continually improve the stakeholder experience.</li> </ul>
<b>Priority 4 – Evolving the way we work</b>	Be an adaptive, commercial and consumer-focused organisation.	<ul style="list-style-type: none"> <li>• <b>Financial health:</b> we strengthen AEMO's financial health to effectively respond to and manage strategic and operational risks and deliver energy industry reforms.</li> </ul>

Section 4 outlines how we will evaluate success against our goal and objectives.

## 3.2 Our engagement commitments

We have developed a set of commitments which we intend to meet as part of this engagement. These commitments reflect contemporary, good practice engagement, and are consistent with feedback we have received from stakeholders (e.g. through other consultations and our annual stakeholder engagement research) about what is important to them.

- Be clear on how we intend to engage and the level of influence stakeholders can have (e.g. mapping engagement against the International Association of Public Participation (IAP2) spectrum).
- Genuinely consider stakeholder feedback and demonstrate how feedback has been considered.
- Be open and transparent.
- Ensure information is provided in a clear, concise and timely manner.
- Understand and use stakeholders' preferred channels of engagement and communication.
- Respect the time and resource constraints of stakeholders when engaging.
- Seek to continually improve the stakeholder experience.

# 4 Approach

This section provides detail on what is in and out of scope for this engagement, our target level of engagement as mapped against the IAP2 Spectrum of Public Participation, key stakeholders that we have identified and what engagement and communication methods we will use.

## 4.1 Scope

This scope of our engagement with stakeholders and the associated consultation **will** include:

- An appropriate fee mechanism to recover the costs for the NEM2025 Reform Program until the next general participant fee structure determination<sup>2</sup>.
- The start date for recovery and the period or periods over which recovery will occur.

The scope **will not** include:

- The amount to be charged. The actual amount charged will be determined on an annual basis, via the AEMO budgeting process. AEMO engages with stakeholders throughout this annual process, via the Financial Consultative Committee (FCC).

While the amount to be charged is out of scope, we do commit to provide details to stakeholders as relevant on the suite of initiatives, the program cost estimate and modelled financial impacts to high-level participant classes (e.g. generators, Network Service Providers, retailers) under the range of potential fee mechanism options. This will also form part of our collaboration with stakeholders on an accountability approach that outlines reasonable actions to demonstrate ongoing prudence and efficiency.

## 4.2 IAP2 alignment

The IAP2 Spectrum of Public Participation is a globally recognised and accepted good practice approach to engagement. We have broadly outlined our application of the IAP2 Spectrum in Table 2 and indicated that we intend to engage primarily at the **collaborate** level of the Spectrum for this particular engagement and consultation. This means we will look to stakeholders for advice and innovation in formulating solutions and incorporate advice and recommendations into decisions to the maximum extent possible.

**Table 2 IAP2 Spectrum**

	Inform	Consult	Involve	Collaborate	Empower
Engagement goal	Provide balanced and objective information to assist stakeholder understanding of the problem, alternatives, opportunities and solutions.	Obtain feedback on analysis, alternatives and/or decisions.	Work directly with stakeholders throughout the process to ensure concerns and aspirations are consistently understood and considered.	Partner with stakeholders in each aspect of the decision, including development of alternatives and the identification of the preferred solution.	The final decision is made by stakeholders.

<sup>2</sup> The current participant fee structure applies from 1 July 2021 to 30 June 2026.



	Inform	Consult	Involve	Collaborate	Empower
Engagement promise	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how input influenced our decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how your input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

### 4.3 Key stakeholders

We have identified four key stakeholder groups for this engagement and mapped a number of key stakeholders (e.g. peak bodies, associations, governments and agencies) against each group. This list is intended to be indicative of stakeholders that have been previously interested and involved in AEMO consultations, forums, committees and working groups and is not intended to be exhaustive. These groups are outlined in Table 3.

**Table 3 Stakeholder groups**

Group	Key stakeholders
Consumers	Energy Consumers Australia (ECA) Energy Users Association of Australia (EUAA) Public Interest Advocacy Centre (PIAC) St Vincent de Paul Australian Council of Social Services (ACOSS) and related associations National Farmers Federation (NFF) and related associations Council on the Ageing (COTA) Queensland Energy Users Association (QEUN)
Industry	Energy Networks Australia (ENA) and its members Australian Energy Council (AEC) and its members Clean Energy Council (CEC) and its members
Government	Commonwealth Government State Governments in the NEM (Qld, NSW, Vic, SA, Tas)
Market bodies	Australian Energy Regulator (AER) Australian Energy Market Commission (AEMC) Energy Security Board (ESB)

### 4.4 Engagement and communication methods

We will offer a range of opportunities for stakeholders to engage with us and communicate about this consultation through several channels. We also recognise the need to minimise impact on stakeholders who are being engaged extensively on other processes, and the time and financial constraints that exist, particularly for consumer groups and smaller businesses.

Given the complexity of the topic and potential implications to industry and consumers, our current view is to establish a NEM2025 Participant Fee Consultation Committee (PFCC). We will involve this committee at the ‘collaborate’ level of the IAP2 spectrum, which will involve workshopping the range of options in detail, and ensure membership across networks, generation, retail, market bodies and consumer representatives. AEMO will release

separately an Expression of Interest (EOI) together with Terms of Reference (ToR) in February calling for nominations from stakeholders to be a part of the PFCC.

We will also engage with three of our existing, relevant committees – the Reform Delivery Committee (RDC), Financial Consultative Committee (FCC) and Consumer Forum (refer Appendix A for a list of members) – on an ‘inform and involve’ basis. We will facilitate discussions and share information openly between members of these committees, and information will be published on our website.

We have summarised the main engagement and communication methods to be utilised in Table 4. Section 6 provides a schedule of key engagement activities and consultation milestones.

**Table 4 Engagement and communication methods**

Method	Intent	Indicative timing
<b>NEM2025 Participant Fee Consultative Committee (PFCC)</b>	<ul style="list-style-type: none"> <li>• Primary method of engagement with industry and consumers.</li> <li>• Will workshop options and work collaboratively with AEMO, and each other, to determine a fee recovery structure that is reasonable and one that is in accordance with the NEL and NER.</li> <li>• Provide detailed input throughout the consultation process and during submission periods.</li> <li>• Provide feedback on the engagement approach, success against our goal and objectives, and improvements for future engagement.</li> </ul>	<p>This is a new committee, with membership to be determined in early February.</p> <p>Workshops and meetings will indicatively be held on a bi-monthly basis and as required.</p>
<b>Committee meetings (RDC, FCC and Consumer Forum)</b>	<ul style="list-style-type: none"> <li>• Informed and involved in the consultation.</li> <li>• Provide input to AEMO throughout the consultation (both formal and informal). Input will be shared as appropriate with the PFCC.</li> <li>• Provide feedback on the engagement approach, success against our goal and objectives, and improvements for future engagement.</li> </ul>	<p>Potential topic for several meetings throughout the year. Refer to the schedule in Section 6 for an indicative calendar of committee meetings.</p>
<b>Briefing / meetings with peak industry bodies and consumer groups</b>	<ul style="list-style-type: none"> <li>• We will keep peak bodies and consumer groups informed throughout the consultation process, particularly about how potential options may impact them and their stakeholders.</li> </ul>	<p>We will offer briefings to interested industry peak bodies and consumer groups and provide these as requested, in particular at key consultation milestones.</p> <p>Once there is a likely preferred option, we will place particular emphasis on providing briefings to industry bodies / consumer groups that may be most impacted by any participant fee structure proposed.</p>
<b>Briefings / meetings with consumer groups</b>	<ul style="list-style-type: none"> <li>• We will offer to industry peak bodies, in particular Energy Networks Australia (ENA) and Australian Energy Council (AEC), to facilitate discussions with their members on the consultation and options available.</li> <li>• Primary opportunity for peak bodies and consumer groups to provide direct feedback to AEMO on Participant fee structure options, including confidential feedback as appropriate.</li> </ul>	
<b>Briefings / meetings with to government and market bodies</b>	<ul style="list-style-type: none"> <li>• We regularly meet with government and market bodies on a range of matters. We will use these channels to brief government and market bodies on the content of this consultation at regular intervals.</li> <li>• We will ensure government and market bodies are aware of feedback received from industry and consumer groups and that alternative Participant fee structure / funding options are discussed and considered.</li> </ul>	<p>As required through usual regular meetings, and in particular at key consultation milestones.</p>
<b>Public Forum webinar</b>	<p>We will host two public forums in webinar format:</p> <ul style="list-style-type: none"> <li>• Post release of the Draft Report and prior to submissions closing, in order to outline the key</li> </ul>	<p><b>June 2023</b> – post release of the Draft Report and prior to close of submissions.</p> <p><b>September 2023</b> – post publication of the Final Report.</p>

Method	Intent	Indicative timing
	<p>elements of the Draft Report and answer questions that may inform submissions.</p> <ul style="list-style-type: none"> <li>• Post publication of the Final Report, to outline our response to submissions received, the outcome of the Final Report and outline next steps. This is a 'for information' session.</li> </ul>	
<b>NEM2025 Reform Program newsletter</b>	<ul style="list-style-type: none"> <li>• The newsletter and website will be used to widely inform stakeholders about the progress of the consultation process and opportunities to get involved.</li> </ul>	The NEM2025 Reform Program newsletter is distributed quarterly.
<b>AEMO website</b>		Updated as required and at key consultation milestones.

## 5 Evaluation

We have outlined a set of success measures and evaluation tools in Table 4. These measures are linked to the goal, objectives and commitments for this particular engagement. We will measure success in three ways:

- Assessment of feedback provided in stakeholder submissions.
- Direct feedback in stakeholder engagement meetings. We also commit to doing a post-engagement evaluation exercise with the key stakeholder working groups that are involved.
- An anonymous, post-consultation stakeholder survey sent to all stakeholders who actively participated in the engagement. Questions will ensure we can obtain a quantitative measure of success, and provide participants with the ability to provide qualitative (free text) feedback.

In addition to formal evaluation mechanisms, we welcome feedback and input on an ongoing basis and will make changes to this engagement plan based on input received.

At the end of the consultation, we will publish a summary of the evaluation outcomes on our website and apply learnings and suggestions for improvement to future engagement activities.

**Table 5 Success measures and evaluation tools**

What we are measuring	Success measures	Measurement tools
<b>Achievement of our goal (refer Section 3).</b>	Overall satisfaction rating of 7/10 from stakeholder groups that the consultation process has been collaborative. Broad reflection across stakeholder groups that the fee recovery mechanism proposed is reasonable and in accordance with the NEL and NER.	Stakeholder submissions to the consultation. Direct feedback in working group meetings. 2 x stakeholder surveys – after close of submissions on the Draft Report and at the end of the consultation.
<b>Contribution to efficient and effective reform delivery.</b>	Majority (>60%) of stakeholders reflect that the consultation process and fee mechanism contribute to efficient and effective reform delivery.	As above.
<b>We worked collaboratively with stakeholders and met our engagement commitments.</b>	Majority (>60%) of stakeholders reflect that: <ul style="list-style-type: none"> <li>• Engagement occurred at the collaborate level of the IAP2 spectrum, per this plan.</li> <li>• Feedback was genuinely considered, responded to and the end outcome reflects stakeholder views.</li> <li>• Information was provided in a clear, concise and timely manner.</li> <li>• We were open and transparent with information.</li> <li>• Engagement activities respected stakeholder's time and preferred channels of engagement.</li> </ul>	As part of the 2 x stakeholder surveys – after close of submissions on the Draft Report and at the end of the consultation.
<b>Improvement of the stakeholder engagement experience.</b>	Majority (>60%) of stakeholders reflect that overall, the engagement experience is an improvement on previous engagement.	As part of the 2 x stakeholder surveys – after close of submissions on the Draft Report and at the end of the consultation.

## 6 Schedule

The table below outlines our indicative engagement and communication schedule. This is divided into two categories: consultation milestones (the timing of which is primarily driven by NER requirements) and key engagement activities. In addition to these activities, we will provide general communication information to our broader stakeholder database to encourage feedback and involvement and liaise on a one-on-one basis with stakeholders as required.

All dates are indicative only at this stage.

**Table 6 Engagement and communication schedule**

	2023										
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
<b>Consultation milestones</b>	Consultation Paper published	Submissions close on Consultation Paper		Publication of Draft Report	Submissions close on Draft Report			Publication of Final Report			
<b>Key engagement activities</b>	Engagement plan released	First PFCC meeting – prior to submission close		RDC meeting PFCC meeting FCC meeting Consumer Forum	Public forum post release of Draft Report	PFCC meeting Consumer Forum	RDC meeting	PFCC meeting (close out meeting) Public Forum Consumer Forum			
Ongoing – one-on-one discussions, government and market body briefings, individual meetings with impacted stakeholders and PFCC meetings as required, website updates											