

NEM2025 Reform Program Participant Fee Structure

Participant Fee Consultative
Committee

Meeting One – 27 April 2023



We acknowledge the Traditional Owners of country throughout Australia and recognise their continuing connection to land, waters and culture.

We pay respect to their Elders past, present and emerging.

Agenda

#	Time (AEDT)	Topic	Presenter(s)
1	9:00am – 9:10am	Welcome & Objectives	Violette Mouchaileh (AEMO) Kevin Ly (AEMO – Chair)
2	9:10am – 9:25am	NEM Reform Program	Lance Brooks (AEMO)
3	9:25am – 9:30am	Recovering Participant fees from Registered Participants	Reena Kwong (AEMO)
4	9:30am – 9:45am	Consultation paper	Reena Kwong (AEMO)
5	9:45am – 10:05am	Key issues	Lance Brooks (AEMO) Reena Kwong (AEMO)
6	10:05am – 10:25am	Potential options under consideration	Lance Brooks (AEMO) Reena Kwong (AEMO)
7	10:25am – 10:30am	Next Steps and Close	Kevin Ly (AEMO)

Appendix A: Competition law meeting protocol and AEMO forum expectations

Appendix B: IAP2 Spectrum of Public Participation

Appendix C: Rules Requirements and Fee Principles

Appendix D: Consultation Paper – Stakeholder Feedback Full Summary

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Welcome & Objectives

PFCC and Meeting One Objectives

Welcome and thank you !

Our goal is to collaboratively develop a fee recovery mechanism for the NEM Reform Program that is considered by stakeholders and AEMO reasonable and one that is in accordance with the NEL and NER

The role of the PFCC has two core parts:

- Work collaboratively with AEMO on **development and assessment of potential options** for recovery of costs as part of the consultation, including working with AEMO and each other to **identify and propose alternative options as appropriate**.
- Provide **input on the start date for recovery and the period** or periods over which recovery will occur.

We will involve this committee at the **‘collaborate’ level of the IAP2 spectrum¹**, which will involve workshopping the range of options in detail, and ensure membership across networks, generation, retail, market bodies and consumer representatives.

TODAYS OBJECTIVES

- To better understand NEM Reform Program, its scope and supporting governance arrangements
- To identify and discuss key issues to be addressed in setting a participant fee structure for the Program
- To discuss and gain feedback on potential fee structure options

PFCC MEMBERS

Name	Employer	Representing
Violette Mouchaileh	AEMO	AEMO
Kevin Ly (Chair)	AEMO	AEMO
Nadine Lennie	TransGrid	Energy Networks Australia
Charlotte Eddy	Ausnet Services	Energy Networks Australia
Ben Hayward	Origin Energy	Australian Energy Council
Ben Pryor	Shell Energy	Australian Energy Council
Mark Grenning	Energy Users Association of Australia	Energy Users Association of Australia
Christiaan Zuur	Clean Energy Council	Clean Energy Council

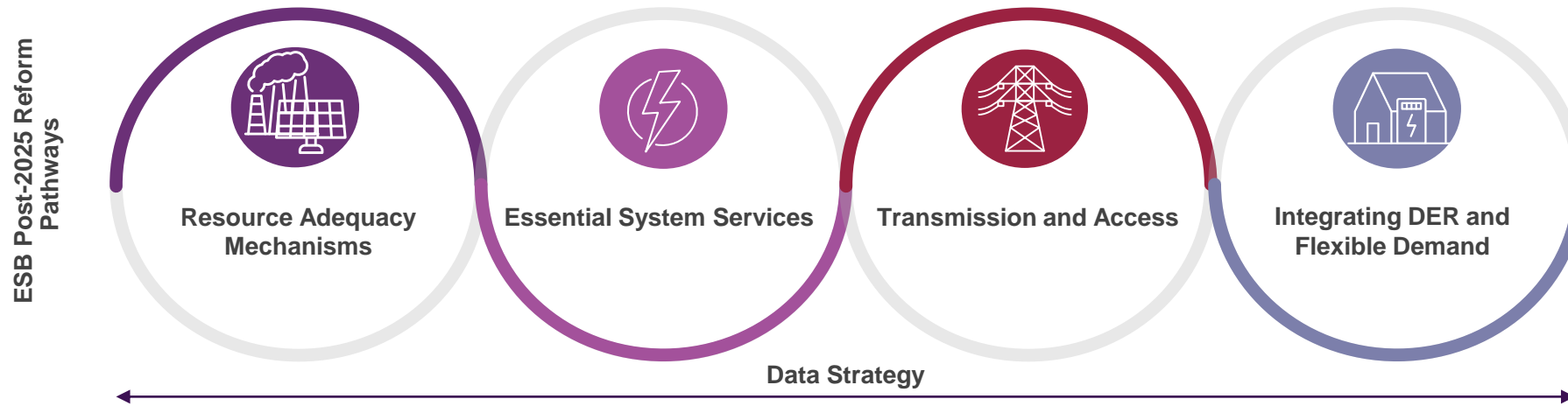
¹ Refer to Appendix B for more information on the IAP2 spectrum of Public Participation

NEM Reform Program

Background & Context

Background & Context

- The Energy Security Board (ESB) was tasked by the former Council of Australian Governments Energy Council (COAG EC), to advise on design changes required in the National Electricity Market (NEM) as it transitions from a fleet of largely coal fired generation to more variable renewable generation
- The ESB provided its final advice to the Energy National Cabinet Reform Committee (National Cabinet) on 27 July 2021. The ESB divided the work into four interrelated reform pathways complimented by a Data strategy for the NEM
- National Cabinet subsequently approved the Post-2025 reform recommendations on 29 October 2021

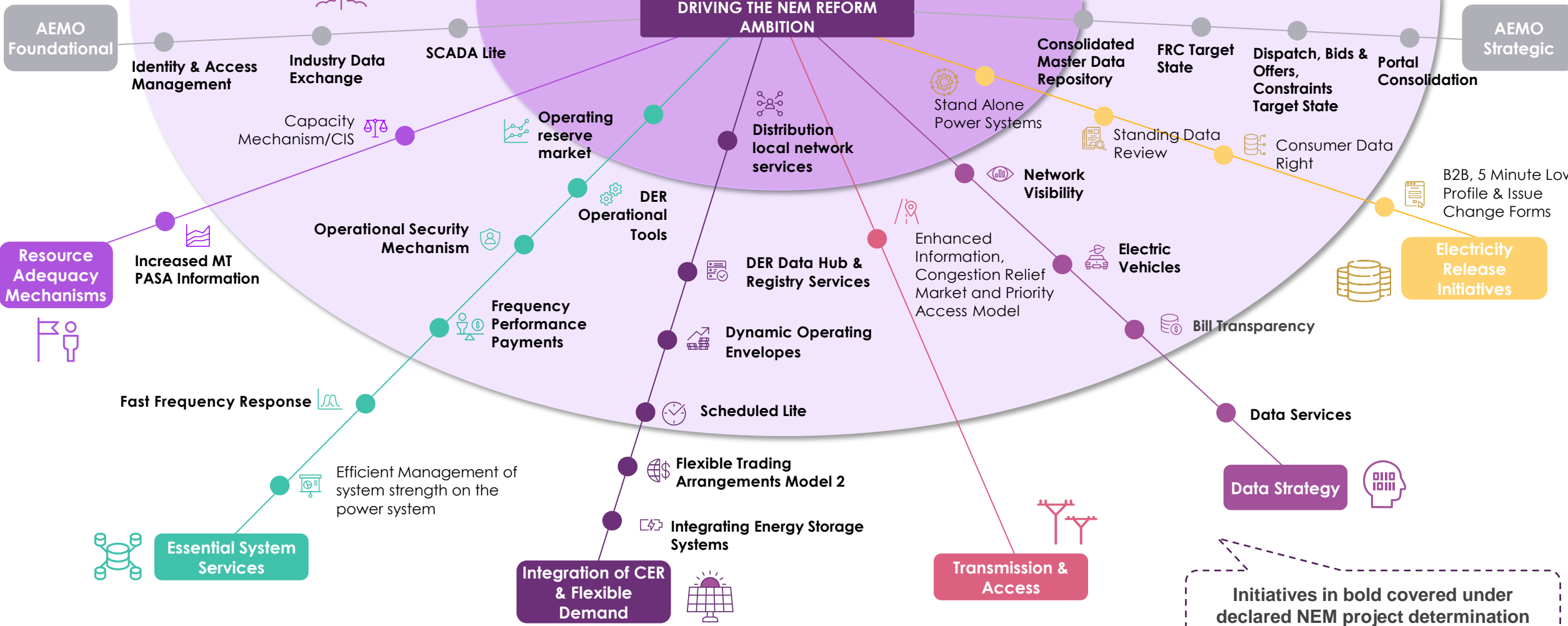


- The NEM Reform Program represents the most comprehensive reform package sought to be implemented since the NEM's inception in 1998. As a result, it needs careful planning and high levels of industry engagement to be successful. While challenging, the NEM Reform Program presents opportunities to not only implement the reforms in a timely and efficient manner but also to remove or avoid unnecessary or duplicative costs both in implementation and ongoing operations

Program Scope



Successfully enabling the energy transition and net-zero emissions economy for Australians

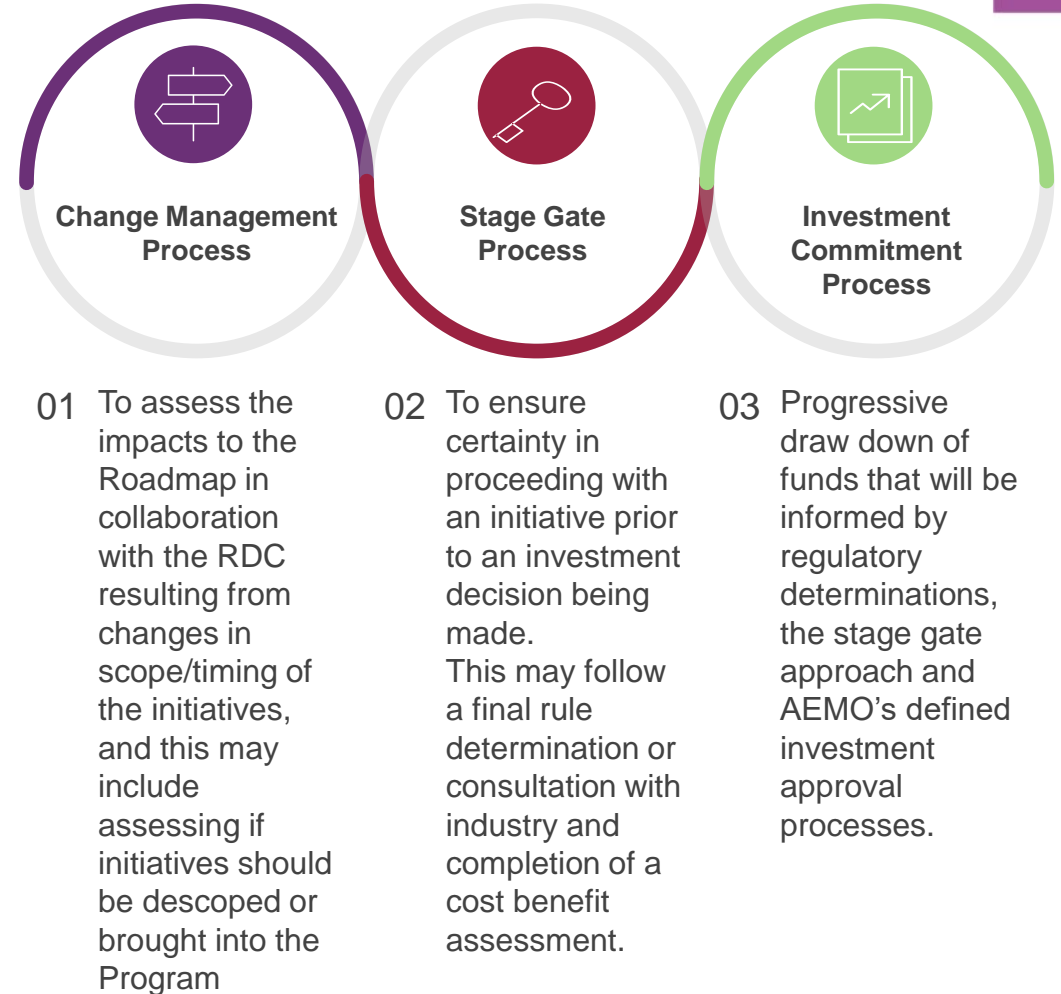


Initiatives in bold covered under declared NEM project determination

Program and Roadmap Governance

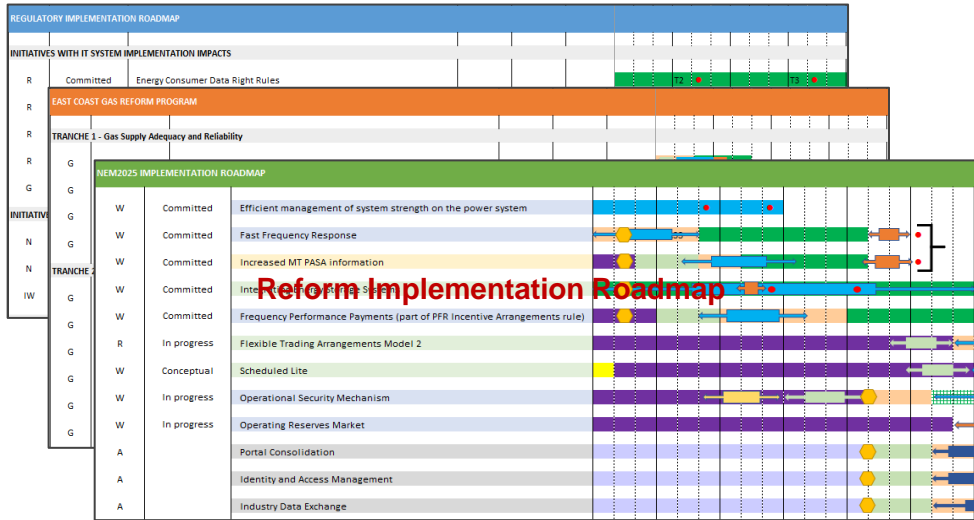
The Roadmap commits to delivery of mandatory and no regrets initiatives in a timely way. It also sets a pathway and progressive commitment process for delivery of those initiatives with greater uncertainty in policy, design, scope or timing

- In developing the Roadmap, AEMO and RDC members noted the significant challenges and risks associated with delivery of the NEM2025 Program and the importance of an appropriate management and governance framework.
- Challenges include but are not limited to:
 - Managing uncertainty in scope, timing and cost of initiatives
 - Establishing the basis for, and timing of AEMO strategic and foundation enabling initiatives
 - Setting funding commitments over a multi-year Program given the uncertainty surrounding policy and regulatory outcomes and scope of certain initiatives



Program Supporting Artifacts

- The NEM Reform Implementation Roadmap (Roadmap) establishes a basis upon which AEMO, and stakeholders may navigate the breadth of ESB reforms over the coming few years, de-risking delivery, and informing implementation timing
- The Roadmap has been published along side several supporting artifacts (available [here](#)), including a business case setting the preferred implementation pathway developed in collaboration with the Reform Delivery Committee



Reform Implementation Roadmap

NEM2025 Program Scope

Statement of Scope

The Energy Security Board (ESB), in collaboration with the market bodies (AEMO, AEMC and AER), has set out a pathway to transition the national electricity market to meet consumers' evolving wants and needs. The ESB's Post 2025 electricity market design addresses essential change in a world of expanding consumer choices, new technologies and large-scale capital replacement as old thermal power stations leave the market!

NEM Reform Implementation Roadmap Governance

Statement of Approach

The ESB provided its final advice on the Post-2025 reforms in a manner that set out the timing of implementation from 2025 and beyond. National Gas Law is presenting its final advice.

Background and Purpose

The ESB provided its final advice on the Post-2025 reforms in a manner that set out the timing of implementation from 2025 and beyond. National Gas Law is presenting its final advice.

- Resource Adequacy Mechanism:** The ESB provided its final advice on the Post-2025 reforms in a manner that set out the timing of implementation from 2025 and beyond. National Gas Law is presenting its final advice.
- Essential System Services:** The ESB provided its final advice on the Post-2025 reforms in a manner that set out the timing of implementation from 2025 and beyond. National Gas Law is presenting its final advice.
- Transmission and Access System:** The ESB provided its final advice on the Post-2025 reforms in a manner that set out the timing of implementation from 2025 and beyond. National Gas Law is presenting its final advice.
- Integrating DER and FR:** The ESB provided its final advice on the Post-2025 reforms in a manner that set out the timing of implementation from 2025 and beyond. National Gas Law is presenting its final advice.

Scope and Governance Arrangements

NEM2025 Program

August 2022

NEM2025 Initiative Briefs

August 2022

Business Case and Initiative Briefs

A reference document for the initiatives in the NEM Reform Implementation Roadmap.

The purpose of the Roadmap is to establish a basis upon which to navigate the breadth of ESB reforms over the coming few years, de-risking delivery, looking for opportunities to take cost out of reform implementation, and informing implementation timing. The Roadmap is available to view in full at the RDC section of AEMO's website!

In developing the Roadmap, AEMO and RDC members noted the significant challenges and risks associated with delivery of the NEM2025 Program and the importance of an appropriate management and governance framework. These challenges include:

- Managing uncertainty in scope, timing and cost of initiatives. Several of the reforms included in the NEM2025 Program are at an early stage of policy or rules definition. It is likely that the scope and timing of proposed reforms will change, new reforms will be added, and others may not proceed at all. The Roadmap and cost estimates will need to be responsive to these circumstances.

AEMO AUSTRALIAN ENERGY MARKET OPERATOR

Participant Impact Assessment Version 1

Completed: Mar / June 2022
Published: 15 Sep 22

Participant Impact Assessment

The NEM Reform Implementation Roadmap (the Roadmap) provides AEMO and stakeholders with a holistic view of the reform program impacting the Implementation Roadmap and NEM2025 Implementation Roadmap into one central Roadmap.

AEMO, via the Reform Delivery Committee, provided industry and stakeholders with an opportunity to submit a Participant Impact Assessment across:

INITIATIVE	Essential System Services	Resource Adequacy Mechanism	Operational Security Mechanism	Operating Reserves Market	Portal Consolidation	Identity and Access Management	Industry Data Exchange
Increased MT PASA information	N	N	N	N	N	N	N
Fast Frequency Response	N	Y	Y	Y	N	N	N
Mandatory Primary Frequency Response	N	Y	Y	N	N	N	N
Operating Reserve Market	N	N	N	Y	N	N	N
System Strength (Planning)	N	Y	Y	Y	N	N	N

Participant Impact Assessment

Recovering Participant Fees for Declared NEM Projects

Rules Requirements

Consultation Paper

Fee Structure Options & Feedback

Our scope for the consultation

- 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 determination¹
 - 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)

AEMO has now commenced its consultation on FY2024 budget and fees. Details of this consultation are available [here](#).

AEMO has also shared its draft budget with the FCC, details available [here](#).

¹ The current participant fee structure applies from 1 July 2021 to 30 June 2026.

Indicative fee structure options

UTILISE EXISTING FEE STRUCTURES

- Allocates each of the NEM Reform Program pathways to one or more of AEMO’s existing Participant fees based on each of the pathways’ objectives, or using a percentage allocation of the whole NEM Reform Program applied to one or more existing fee
- Attributions of allocated costs to Registered Participants would be as per the existing Participant fee that is applied to the Reform pathway
- Existing fee metrics for Registered Participant categories would apply
- Existing Participant fees to apply to the NEM Reform Program for the remainder of the current Participant fee period, i.e. until 30 June 2026

Fee Principle	Rating	Fee Principle	Rating
National Electricity Objective	Green	Simplicity	Green
Not unreasonably discriminate	Yellow	Reflective of involvement	Yellow
Recovery of AEMO budget requirements	Green		Green

SEPARATE FEE STRUCTURE

- A new Participant fee structure to apply to the whole NEM 2025 Reform Program
- Requires determining the relevant Registered Participant/s to recover costs from as well as the attribution to be allocated to each Registered Participant
- Requires determining the relevant fee metric to apply to each of the Registered Participants
- The new Participant fee structure to apply until the end of the current Participant fee period (and which could then be Determined to continue the separate fee)

Fee Principle	Rating	Fee Principle	Rating
National Electricity Objective	Green	Simplicity	Green
Not unreasonably discriminate	Green	Reflective of involvement	Green
Recovery of AEMO budget requirements	Green		Green

Stakeholder feedback – Main themes

Full summary of submissions provided in Appendix B

- AEMO had thirteen (13) submissions to its Consultation Paper (published to AEMO's website [here](#))
- Of the two options proposed in the Consultation Paper there was a clear divide among stakeholders in their preference moving forward:
 - Majority of NSPs recommending Option 1 (utilising existing fee structures)
 - Retailers and generators recommending Option 2 (establishing a separate fee)
- Only one stakeholder provided specific comment on the fee metrics – supporting the existing metrics
- Majority of stakeholders supported cost recovery commencing from the time each initiative's go-live date
- Some stakeholders expressed concern around the governance and cost approval framework for the NEM Reform Program
- NSPs noted costs should be allocated to those best able to recover them citing for example that DNSPs do not have an appropriate mechanism for recovering costs if they are charged before the next fee determination period

Has AEMO captured the main themes accurately?

Detailed responses to stakeholder issues or questions will be provided as part of the Draft Report and Determination

Key issues in determining a participant fee structure

Open Discussion

Key issues

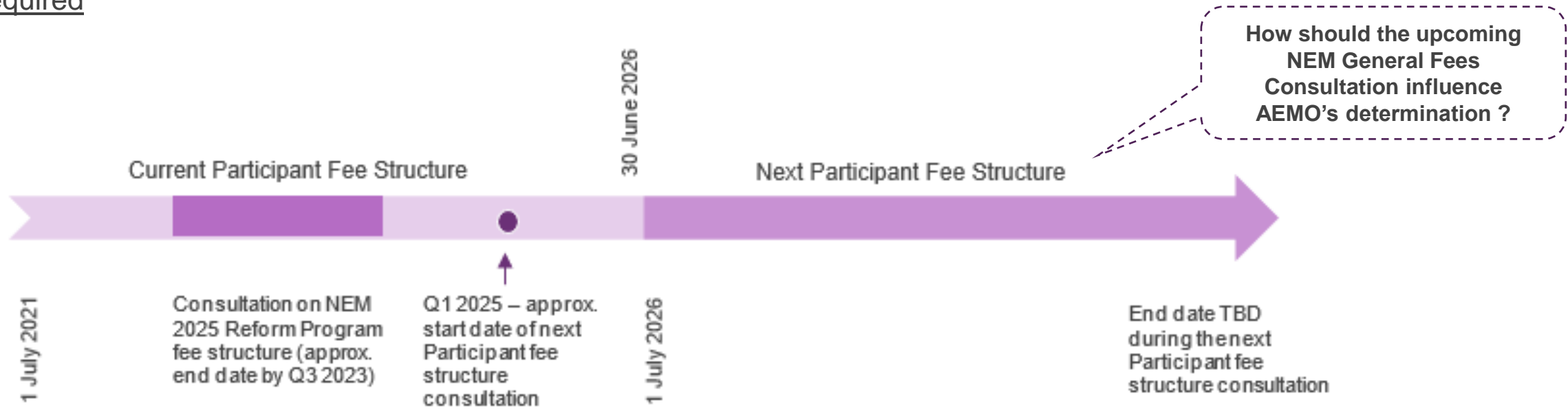
Are there additional issues that warrant further consideration as part of this consultation ?

- Interaction with NEM general Participant fees consultation
- Go-live assessment (FY2024 – FY2026)
- Qualitative impact assessment across participant type
- Balancing principles – Reflective of involvement, Simplicity and NEO
- Cost recovery commencement date and period
- Integrated Energy Storage Systems (IESS) rule change
 - Introduction of new Participant category Integrated Resource Provider (IRP)

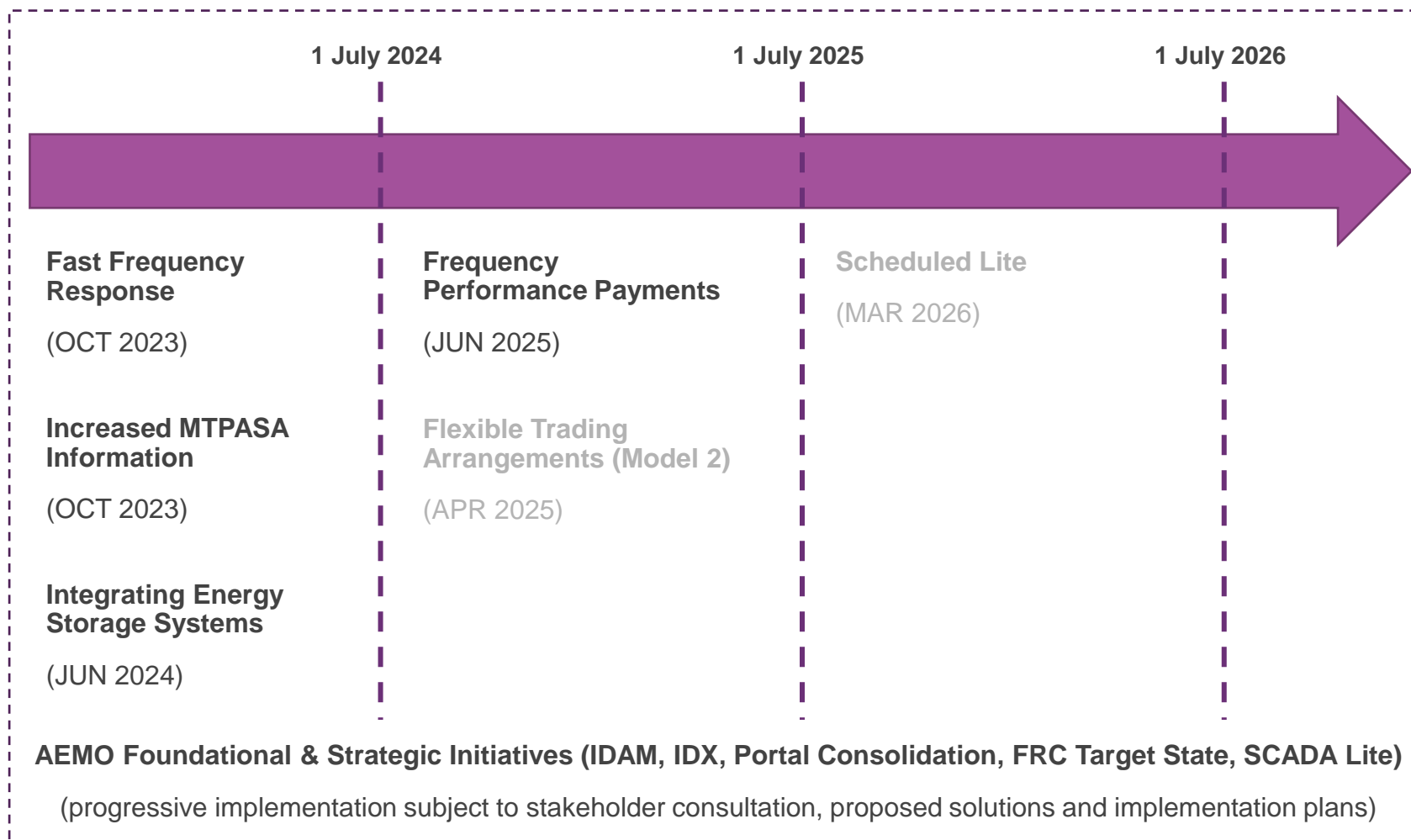
Each of the above issues is explored further in the slides below

Interaction with NEM General Participant Fees Consultation

- The current NEM Participant fee's structure period is to end 30 June 2026
- Consultation on the next general Participant fee structure determination will need to commence shortly after consultation on the NEM Reform Program fee structure concludes
- Any fee structure for the NEM Reform Program will be acknowledged in this process and may be revisited, only if required



Go-Live Assessment (FY2024 – FY2026)



Initiatives in grey are not committed and remain subject to policy / rules consultation processes and therefore not locked into fee structure

AEMO is currently engaging with stakeholders on its Foundational and Strategic initiatives. Recovery of these costs would be subject to proposed implementation plans

Qualitative impact assessment across participant type

Note: Only those initiatives covered under declared NEM project determination shown

Pathway	Initiatives	Participants impacted
RAMS	Increased MT PASA Information	Generators

Pathway	Initiatives	Participants impacted
ESS	Fast Frequency Response	Generators, Market Customers
	Frequency Performance Payments	
	Operational Security Mechanism	
	Operating Reserves Market	

Pathway	Initiatives	Participants impacted
AEMO	Foundational (multiple)	All
	Strategic (multiple)	

Not all participants drive, benefit, receive, use or interact with each initiative (e.g. IESS = Generators, IRP, Market Customers)

Pathway	Initiatives	Participants impacted
DER	Integrating Energy Storage Systems	Generators, IRP, Market Customers, DNSPs DER
	Flexible Trading Arrangements (M2)	
	Scheduled Lite	
	Dynamic Operating Envelops	
	Distribution Local Network Services	
	DER Data Hub & Registry Services	
	DER Operational Tools	

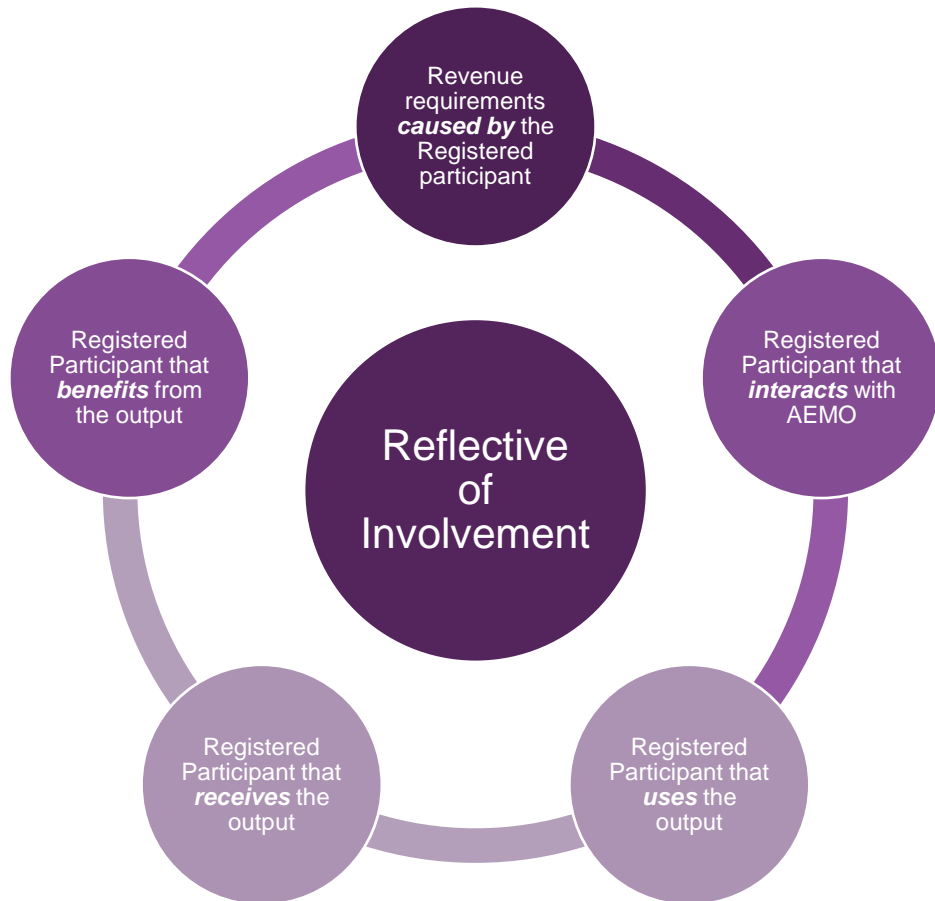
While participants may interact, be required to use, they may not be the ultimate beneficiary of the reform

Potential for new Registered Participant categories to be introduced particularly in DER space

Reforms impact many participant types, how should AEMO look to simplify its fee structure ?

Balancing principles – Reflective of involvement, Simplicity and NEO

Reflective of involvement assessment



The ENA note “Neither option [presented in the Consultation Paper] can apportion costs perfectly with respect to the level of involvement of participants. The question is, which option will be better at apportioning based on involvement?”

- The concept of involvement incorporates aspects of ‘user pays’, ‘beneficiary pays’, and ‘causer pays’ cost recovery approaches. However, There are no economic case studies to interpret this principle. AEMO and its economic consultants have previously interpreted this principle as shown
- While AEMO can only allocate its costs to Registered Participants, there are other parties who may benefit from the reforms – and ultimately the Post 2025 reforms seek to benefit consumers
- Similarly, there will be cases where a Registered Participant has not been the driver (caused) of the need for reform
- In the case of the NEM Reform Program, it is possible that there are future categories of Registered Participant that should be allocated costs that do not exist yet
- Further, a complex fee structure incorporating all Participants may provide for greater accuracy however come at the expense of higher transaction costs ?

How should AEMO balance its assessment of the Reflective of Involvement principle ?

How should AEMO balance this assessment with regards to Simplicity and NEO principles?

Commencement date and recovery period

Commencement

- AEMO has proposed commencing the recovery of its costs to correspond from the first initiative's go-live date with subsequent initiatives rolled into the fee structure as and when they are implemented, subject to the program's funding approvals and AEMO's annual budget processes
- The first initiative to go-live under the Program occur in October 2023. Under AEMO's proposal it would therefore seek to recover costs associated with that initiative (and others) from 1 July 2024 for the program
- The majority of stakeholders who responded to the consultation paper agreed with this approach
- One stakeholder did not agree with this approach citing concerns the bundling of initiatives may and therefore recovery of funds may place pressure on participants

Do PFCC members consider this an appropriate approach to commence recovery?

Recovery Period

- AEMO has proposed a recovery period of 7 years from when an initiative is rolled into the fee structure
- This approach aligns with AEMO's depreciation model for other assets
- Stakeholders who responded to the consultation paper were largely silent on the period itself, with only one stakeholder suggesting a 10-year period
- DNSPs did express concern regarding the period and its alignment with the current regulatory period

Do PFCC members consider a 7-year period to recover costs appropriate ?

Integrated Energy Storage Systems

- The IESS rule change seeks to improve the integration and participation of energy storage and hybrid systems in the NEM
- The delivery scope is complex, given the substantial changes across the NER, industry procedures and guidelines, which in turn drive changes across AEMO's and participants' processes and systems with:
 - Major IT related changes to AEMO's wholesale and retail systems
 - Minor IT related changes to AEMO systems to integrate new participant category across market systems
- Updates to relevant AEMO/Participant policies, processes, guidelines
 - AEMO has identified more than 50 affected procedures and guidelines
- Once the IESS project becomes effective on 3 June 2024, a new Registered Participant category called the Integrated Resource Provider (IRP) is introduced
- An IRP may be classified as: a generating unit, plant as scheduled load, bi-directional unit (new type of unit), end user's connection point (non-scheduled load), a small resource connection point (previously small generating unit)
- AEMO anticipate IRPs to make up a small percentage of the total Registered Participants in the short term and will primarily consist of BDU

AEMO is seeking feedback from the PFCC on whether it should charge IRPs, and if so how and from when ?

Two potential options presented (see next slides)

Consultation is required on options for charging (or not charging) IRPs ahead of the next NEM General Participant Fee consultation

Option 1: Do not charge IRPs

Overview

- Do not charge IRPs for the next two years and revisit in the next general Participant fees determination for commencement from 1 July 2026

Rationale

- Avoids discrimination by not charging a small percentage (~2%) of NEM resources for the next two years and aligns with reflective of involvement of this category
- There is currently uncertainty on the volume of generators or customers that will voluntarily transfer to IRP therefore allowing for a broader assessment to be conducted as part of the general Participant fees consultation will provide for a better understanding of reflective of involvement
- No changes required to AEMO settlement systems

Key Challenges / Risks

- May create a perverse incentive for those Registered participants (Generators or Customers) who had not previously intended to voluntarily re-register as an IRP to do so to avoid paying participant fees for the period 2024 to 2026
- Could be seen to be discriminatory towards existing Registered participants even though there are some new categories of participants introduced through the reform initiatives e.g. the remainder of Wholesale Participants will have to pay for the portion of SGAs that change registration from Wholesale Participants to IRP

Fee Principle	Rating
National Electricity Objective	Green
Simplicity	
Reflective of involvement	Yellow
Not unreasonably discriminate	
Recovery of AEMO budget requirements	

Preliminary assessment

While this option allows for more certainty to be established in the make up of the IRP category, AEMO is of the view that other options would better align with the NEO and more of the fee principles

Do PFCC members consider it appropriate to not charge IRPs in the short term ?

Option 2: Charge IRPs as Wholesale Participants only

Overview

- Only charge IRPs as Wholesale Participants using their gross absolute sent out energy (ASOE) only regardless of ACE values

Rationale

- Simple from an AEMO systems perspective and for participants to understand as the approach uses the information/data provided without any data mapping manipulation required
- Better aligns with the current expectation that most registered IRPs will operate as a BDU (BESS) and are storing/holding the energy for discharge as opposed to the traditional Market Customer who is actually consuming/using the energy (similar precedent set by the AEMC in recent consideration of transmission charging arrangements)
- Aligns more with the reflective of involvement principle than Option 3 as those IRPs that have consumption data will not be charged for that part
- More reasonable longer-term option as it is anticipated that majority of IRPs will be BDUs

Key Challenges / Risks

- May create an incentive for existing Market Customers who had not previously intended to voluntarily re-register as an IRP to do so to avoid paying participant fees for the period 2024 to 2026. However, this incentive is tempered by obligations that come with an IRP registration i.e.. changed bidding arrangements with 20 bid bands and the associated system and process changes
- AEMO may explore the rationale for charging IRP a percentage of both Market Customer and Wholesale Participant Fees

Fee Principle	Rating
National Electricity Objective	High
Simplicity	
Reflective of involvement	Medium
Not unreasonably discriminate	
Recovery of AEMO budget requirements	Low

Preliminary assessment

AEMO's view is that this option best aligns with the NEO and fee principles compared to the other options as it reflects the true nature and characteristics of the majority of IRPs that will exist or will enter the market i.e. BDUs who are not traditional Market Customers that consume energy

Should AEMO charge IRPs in a similar manner to existing Wholesale Participants?

Potential fee structure options for consideration

Open Discussion

Option 1: Allocate across existing fee structures

Updated assessment from consultation paper

Overview

- Allocates the costs of each initiative to one or more of AEMO’s existing Participant fees structures based on each of pathways’ objectives, or percentage allocation of the whole NEM Reform Program costs

Rationale

- Simple and existing structures understood by participants
- Initiatives going live between now and FY2026 neatly align to existing fee structures of core NEM or DER program fees
- Allow for a broader assessment to be conducted across all fee structures as part of NEM General Fees consultation, including better understanding of reflective of involvement
- Avoids having multiple fee structures for activities that are similar in nature e.g. DER program fee already exists and a number of NEM reform initiatives are DER-related (although none that are to go-live in the next 2 years)

Key Challenges / Risks

- Reflective of involvement principle isn’t completely met (e.g. TNSPs do not cause, use or benefit from those reforms to go-live in the next 2 years)
- Could be seen to be discriminatory towards existing Registered Participants even though there are some new categories of participants introduced through the reform initiatives
- Not as transparent on cost allocation since the reform initiatives may be bundled with e.g. core NEM activities which does not align with AEMO’s budget restrictions

Fee Principle	Rating
National Electricity Objective	Green
Simplicity	Green
Reflective of involvement	Red
Not unreasonably discriminate	Yellow
Recovery of AEMO budget requirements	Green

Preliminary assessment

NSPs indicated a preference for this option as it mitigates risks DNSPs may be charged, while TNSPs already have mechanism to recover costs. Retailers and Generators did not support this option.

It is AEMO’s preference to improve cost allocation transparency by separating BAU vs Reform costs and aligning with AEMO’s budget process

Given the preliminary assessment and key issues discussed is there merit in pursuing this option further ?

Option 2a: Separate fee structure (replicate existing fee allocation)

Overview

- Create separate fee(s) that replicates the same allocation and metrics as the existing fee structure (eg. Core NEM, DER)

Rationale

- Simple and understood by participants
- Initiatives going live between now and FY2026 neatly align to existing fee structures of core NEM or DER program fees
- Allows for a broader assessment to be conducted across all fee structures as part of NEM General Fees consultation, including better understanding of reflective of involvement
- Avoids issues regarding AEMO’s budget process and ability to separately report Reform costs improving cost allocation transparency to Option 1

Key Challenges / Risks

- Reflective of involvement principle isn’t completely met
- Could be seen to be discriminatory towards existing Registered participants even though there are some new categories of participants introduced through the reform initiatives
- Not a long-term solution

Fee Principle	Rating
National Electricity Objective	Green
Simplicity	Green
Reflective of involvement	Red
Not unreasonably discriminate	Yellow
Recovery of AEMO budget requirements	Green

Preliminary assessment

Simple and potentially addresses some of the preferences of stakeholders namely utilising existing fee structures while simultaneously providing for a separate fee in the short term.

This option does not improve upon the fee principle assessment of Option 1

Would this option present as ‘middle ground’ for all stakeholders ?

Option 2b: Separate fee structure (allocate to Market Customers only)

Overview

- Allocates the costs of all initiatives under the NEM Reform Program via a separate fee to Market Customers only on a 50%/50% \$/MWh / \$/NMI basis

Rationale

- Simple and understood by participants
- Allocates costs as close to the end users who are the ultimately beneficiaries of the NEM Reform Program
- The metric considers both large and small customers and is the same as the core NEM Market Customer charge
- Establishing this approach now will reduce the time reviewing this structure in the NEM general fees determination
- Cost transparency is achieved
- Existing means for Market Customers to pass through costs already in existence

Key Challenges / Risks

- May set a basis for fee recovery for all major future reform programs

Fee Principle	Rating
National Electricity Objective	High
Simplicity	High
Reflective of involvement	Medium
Not unreasonably discriminate	High
Recovery of AEMO budget requirements	High

Preliminary assessment

Simple and potentially aligns with those who benefit most from the reforms – consumers. Charging a single group of participants may minimise transaction costs, while at the same time avoid any future issues where new categories of participants are established and allocations need to be reassessed

Is a simplified fee structure preferable leading into the wider NEM fee consultation in two years?

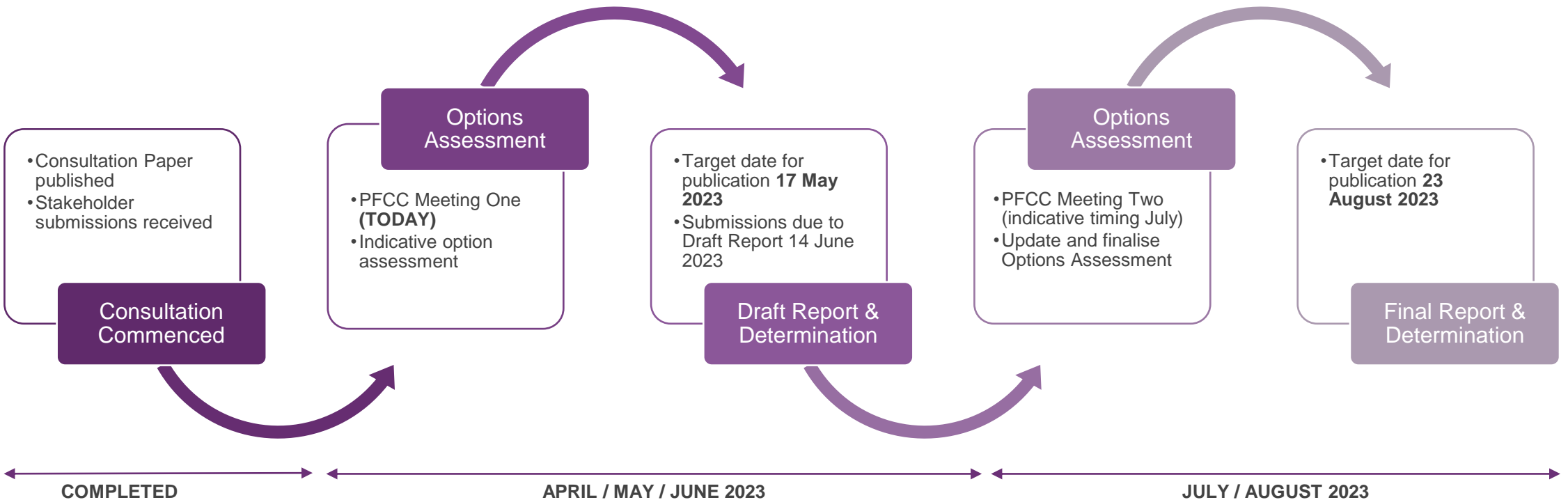
Next Steps and Close

Open Discussion

Next Steps

Please reach out to one of the AEMO team to share ideas, concerns or issues in the meantime

- AEMO will take into consideration feedback heard today from PFCC members as part of its option assessment ahead of publishing its Draft Report & Determination
- Next PFCC targeting July 2023 following closing of submissions to the Draft Report & Determination





For more information visit

aemo.com.au

Appendix A: Competition law meeting protocol

AEMO Competition Law – Meeting Protocol

AEMO is committed to complying with all applicable laws, including the Competition and Consumer Act 2010 (CCA). In any dealings with AEMO regarding proposed reforms or other initiatives, all participants agree to adhere to the CCA at all times and to comply with this Protocol. Participants must arrange for their representatives to be briefed on competition law risks and obligations.

Participants in AEMO discussions **must**:

- Ensure that discussions are limited to the matters contemplated by the agenda for the discussion
- Make independent and unilateral decisions about their commercial positions and approach in relation to the matters under discussion with AEMO
- Immediately and clearly raise an objection with AEMO or the Chair of the meeting if a matter is discussed that the participant is concerned may give rise to competition law risks or a breach of this Protocol

Participants in AEMO meetings **must not** discuss or agree on the following topics:

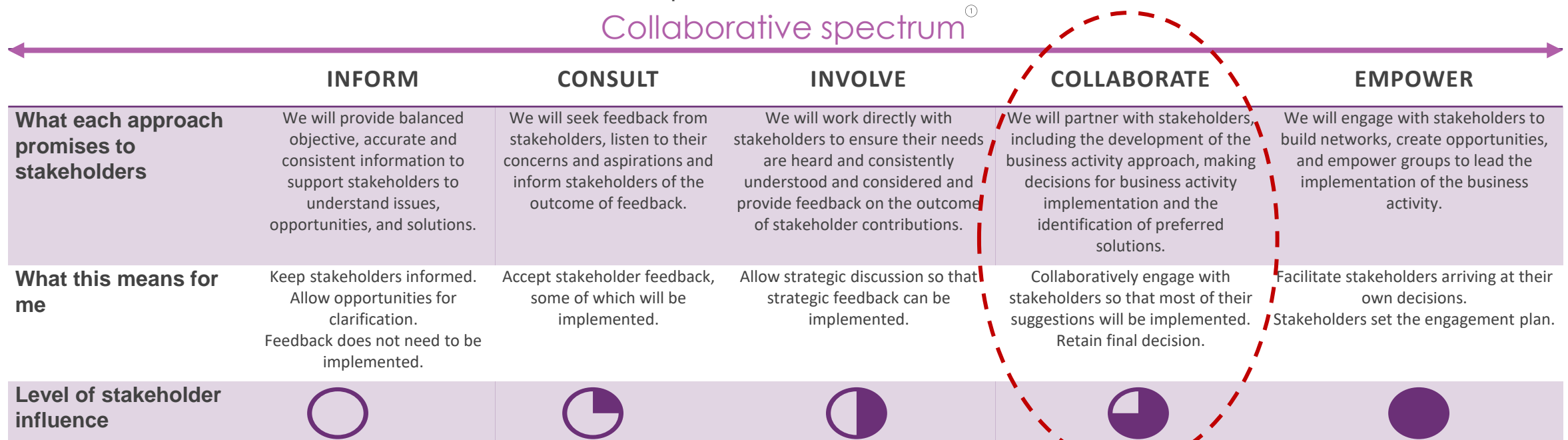
- Which customers they will supply or market to
- The price or other terms at which Participants will supply
- Bids or tenders, including the nature of a bid that a Participant intends to make or whether the Participant will participate in the bid
- Which suppliers Participants will acquire from (or the price or other terms on which they acquire goods or services)
- Refusing to supply a person or company access to any products, services or inputs they require

Under no circumstances must Participants share Competitively Sensitive Information. Competitively Sensitive Information means confidential information relating to a Participant which if disclosed to a competitor could affect its current or future commercial strategies, such as pricing information, customer terms and conditions, supply terms and conditions, sales, marketing or procurement strategies, product development, margins, costs, capacity or production planning.

Appendix B: IAP2 Spectrum of Public Participation

IAP2 Spectrum of Public Participation

- 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 below 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.



① Source: IAP2 International. Adapted for internal use.

Appendix C: Rules Requirements and Fee Principles

Rules requirements

- AEMO consults on its proposed fee structure for Participant fees in accordance with clauses 2.11 and 8.9 of the NER.
- In September 2022, following consultation, AEMO determined the NEM 2025 Reform Program to be a declared NEM project under clause 2.11.1(ba), meeting all three criteria:
 - a major reform or development (including an anticipated reform or development) of the market;
 - a major change (including an anticipated change) to a function, responsibility, obligation or power of AEMO under the Rules; and
 - a major change (including an anticipated change) to any of the computer software or systems that AEMO uses in the performance of any of its functions, responsibilities, obligations or powers under the Rules.
- When AEMO determines a project to be a declared NEM project under clause 2.11.1(ba), under clause 2.11.1(bb) it must determine, until the next general determination of all Participant fees is made under clause 2.11.1(a) of the NER:
 - The structure of an additional Participant fee to be used in the recovery of costs associated with a declared NEM project
 - The start date for recovery and the period or periods over which recovery will occur for the declared NEM project
- AEMO only has the power to recover market fees from Registered Participants.
- In determining the structure of Participant fees, AEMO must have regard to the National Electricity Objective (NEO), and the structure of Participant fees must, to the extent practicable, be consistent with Participant fee structure principles

Guiding fee principles – NER cl 2.11.1

The Rules do not expressly indicate that one or another of these Fee Structure Principles should have greater weight than the others. However, where it is not practicable for AEMO to satisfy all of the principles or satisfy them all to an equal degree, AEMO may adopt a structure which is not equally consistent with all the principles.

Fee Structure Principle	Requirement	This means
NEO	<ul style="list-style-type: none"> In determining Participant fees, AEMO must have regard to the national electricity objective. The objective of the 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 <ul style="list-style-type: none"> (a) price, quality, safety, reliability and security of supply of electricity; and (b) the reliability, safety and security of the national electricity system 	<ul style="list-style-type: none"> The NEO is a relevant consideration where AEMO has to exercise judgment or discretion in reaching its determination.
Simplicity	<ul style="list-style-type: none"> The structure of Participant fees should be simple 	<ul style="list-style-type: none"> The fee structure and its application to various Registered Participants should be straight-forward, easily understood and readily applied by participants and AEMO as well as foreseeable and forecastable in terms of impacts and costs
Reflective of involvement	<ul style="list-style-type: none"> The components of Participant fees charged to each Registered Participant should be reflective of the extent to which the budgeted revenue requirements for AEMO involve that Registered Participant 	<ul style="list-style-type: none"> The degree to which the class of Registered Participant: <ul style="list-style-type: none"> Interacts with AEMO in relation to the output; Uses the output; Receives the output; Benefits from the output; and Causes the revenue requirements.
Not unreasonably discriminate	<ul style="list-style-type: none"> Participant fees should not unreasonably discriminate against a category or categories of Registered Participants 	<ul style="list-style-type: none"> AEMO can treat a category or categories of Registered participants differently where to do so would be reasonable.
Recovery of AEMO budget requirements	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> The structure of Participant fees should provide for the recovery of AEMO's budgeted revenue requirements on a specified basis.

Appendix D: Consultation Paper – Stakeholder Feedback Full Summary

Stakeholder Feedback – Full Summary

Submissions have now been published to AEMO's website [here](#).

Stakeholder Group	Main Points	Majority
NSPs (ENA, AusNet, EQL, Endeavour Energy, TasNetworks)	<ul style="list-style-type: none"> • DNSPs do not have an appropriate mechanism for recovering costs if they are charged before the next fee determination period • NSPs do not have control/influence over AEMO's costs and aren't the major causers or beneficiaries • Costs should be allocated to participants on a causers and beneficiaries basis i.e. weighted more towards wholesale participants and market customers • AEMO must be incentivised to contain costs or have an independent CBA on the reform program costs 	<ul style="list-style-type: none"> • Option 1 – Using existing fee structures until the next general fee determination (except TasNetworks (was not explicit on preferred option) and EQL supports option 2 but concerned on DNSPs being charged) • Recovering costs from each project's go-live date
Gentailers (AGL, Energy Australia, Origin, Shell Energy) and Powerlink	<ul style="list-style-type: none"> • Separate fee is preferred as it is more reflective of involvement and will allow greater transparency of costs • Recommend AEMO develop fee structures that reflects involvement of participants e.g. those involved in DER workstream are different to those involved in wholesale market dispatch initiatives • Updated participant impact assessments could inform development of fee structures that meet the principles 	<ul style="list-style-type: none"> • Option 2 – separate fee structure (AGL note a separate fee structure in particular for the 3 pathways: Resource Adequacy, ESS/Ahead mechanism, DER & Flexible demand) • Recovery from all participants (Powerlink note DNSPs may need a transitional arrangement until a Rule is made on recovery) • Recovering costs from each project's go-live date (except AGL who suggest recovering as soon as practicable to provide investment signal)
CS Energy, CEIG	<ul style="list-style-type: none"> • +/-40% risk on program cost is unacceptable • Stronger governance framework required to manage variation of budget (stronger than the stage-gate process) • Only projects that passed the final rule change process (or endorsed explicitly by Ministers) should be included in the program • Learnings from 5MS implementation have not been demonstrated i.e. where are the resultant savings from AEMO getting its systems 'future ready' from 5MS costs 	<ul style="list-style-type: none"> • No preference for fee structure itself except CS Energy noted the DER workstream should be incorporated into the existing DER program fee (except for those not in final regulatory stages) • CS Energy did not support recovery once a project is at its 'go live' date