

NEM2025 Reform Program Participant Fee Structure

Participant Fee Consultative
Committee

Meeting Two – September 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.

1. Welcome & Objectives

Agenda

TODAYS OBJECTIVES

- To provide an *overview* of the Draft Determination published on 30 June 2023
- To discuss *stakeholder feedback* from submissions received to the Draft Determination
- To *discuss and gain feedback* on potential final fee structure for the reform program
- To provide an *overview* of AEMO's proposed approach to charging IRP's NEM general fees

#	Time (AEDT)	Topic	Ask of Committee	Presenter(s)
1	11:00am – 11:05am	Welcome & Objectives		Kevin Ly (AEMO – Chair)
2	11:05am – 11:20am	Overview of Draft Determination	Open discussion	Lance Brooks (AEMO)
3	11:20am – 11:35am	Summary of stakeholder submissions and discussion on key issues	Open discussion	Reena Kwong (AEMO)
4	11:35am – 11:40am	Final fee structure under consideration	Open discussion	Lance Brooks (AEMO)
5	11:40am – 11:55am	Other Business <ul style="list-style-type: none">• IRP Charging – NEM General Fees	Open discussion	Reena Kwong (AEMO)
6	11:55am – 12:00pm	Next Steps and Close		Kevin Ly (AEMO)

Appendix A: Competition law meeting protocol and AEMO forum expectations

"Please note that this meeting will be recorded by AEMO and may be accessed and used by AEMO for the purpose of compiling minutes. By attending the meeting, you consent to AEMO recording the meeting and using the record for this purpose. No other recording of the meeting is permitted"

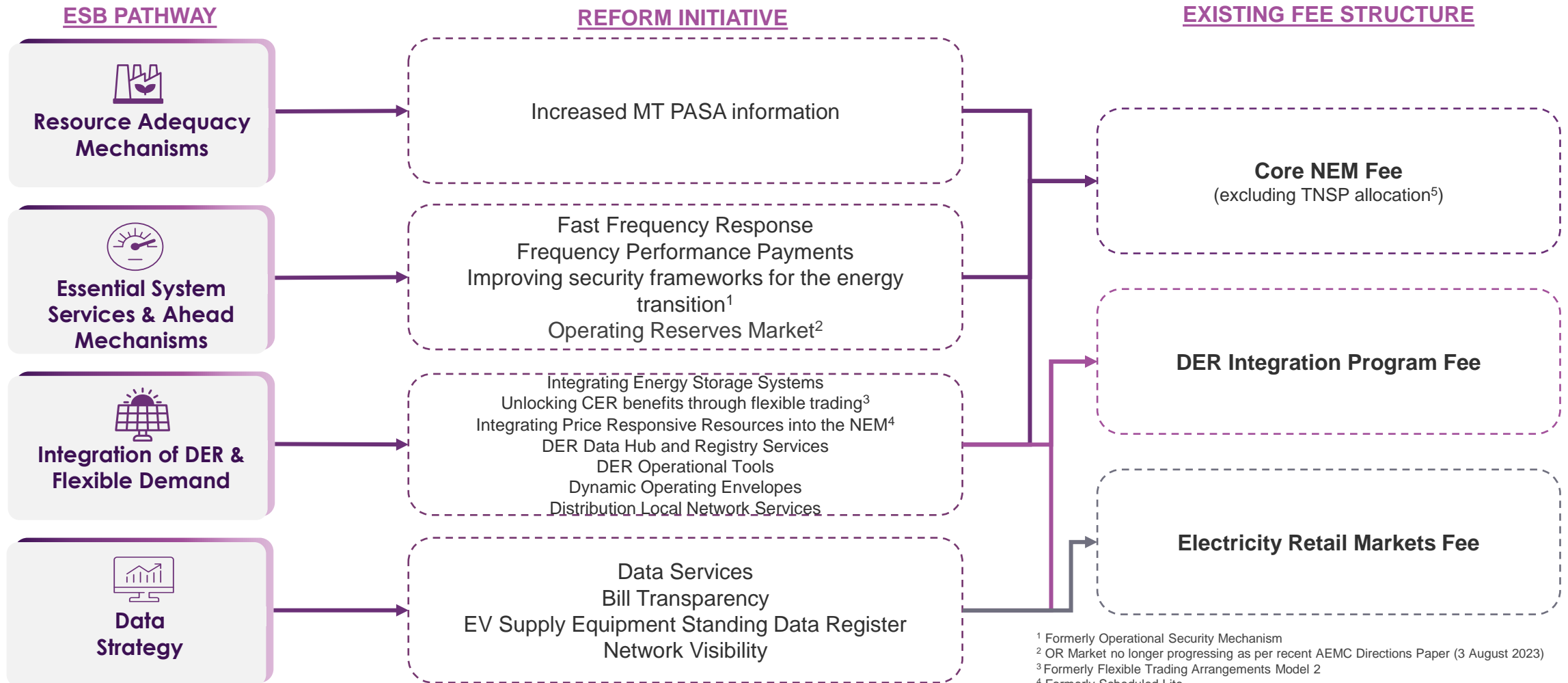
2. Overview of Draft Determination

Published 30 June 2023

Draft fee structure proposal

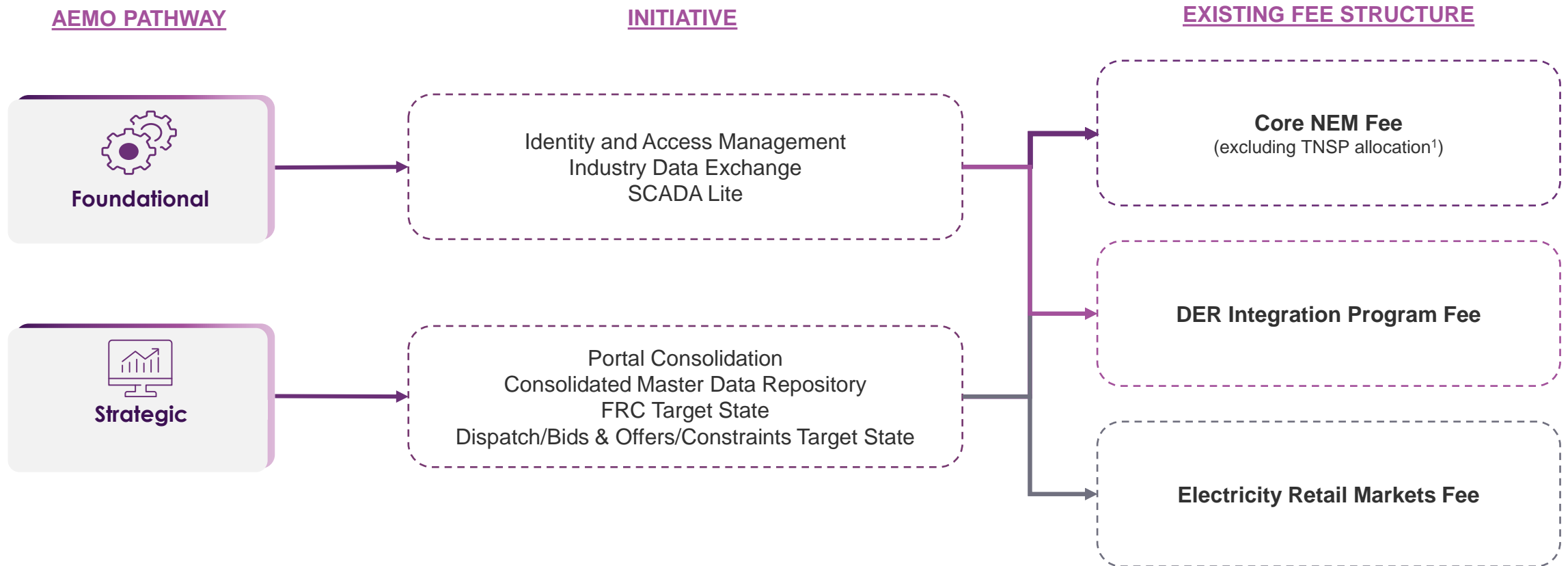
- AEMO's Draft Report and Determination was published on 30 June 2023
- The Draft Report provided 3 fee structure options, with AEMO's assessment against the principles and NEO, for consideration by stakeholders:
 1. Use existing participant fee structures
 2. Establish a separate fee structure allocating costs to Wholesale Participants and Market Customers in a manner consistent with existing fee structures on a per initiative basis
 3. Establish a separate fee structure allocating costs to Market Customers only
- **AEMO proposed its preferred option (option 2) and provided details on methodology applied to determine overall weighted involvement from Wholesale Participants (27.5%) and Market Customers (72.5%) which is based on implementation costs and existing fee structure allocations to Registered Participants (see Draft Report and Determination Section 4)**
- AEMO does not propose to recover NEM2025 program costs from NSPs at this time due to their minimal involvement in initiatives that go-live prior to 1 July 2026
- AEMO proposed cost recovery commencing from each initiative's go-live dates (except for those that go-live prior to 1 July 2024) for a period of 7 years

Mapping reform initiatives to existing fee structures



¹ Formerly Operational Security Mechanism
² OR Market no longer progressing as per recent AEMC Directions Paper (3 August 2023)
³ Formerly Flexible Trading Arrangements Model 2
⁴ Formerly Scheduled Lite
⁵ Costs that would have otherwise been allocated to TNSPs have been normalised across WP and MC

Mapping foundation & strategic initiatives to existing fee structures



¹ Costs that would have otherwise been allocated to TNSPs have been normalised across WP and MC

3. Summary of stakeholder submissions and discussion on key issues

Summary

- AEMO received **three submissions** to the Draft Report & Determination – all from network service providers (the ENA, AusNet Services and TasNetworks)
- Each submission supported AEMO’s preferred approach to recover costs from Wholesale Participants and Market Customers (i.e. option 2)
- Submissions acknowledged that AEMO would review the level of involvement of network businesses in the NEM2025 Reform Program as part of the next general NEM fee consultation process to commence in early 2025 ahead of 1 July 2026 start
- Submissions acknowledged that should it be determined that DNSPs are to be charged for the NEM2025 Reform Program, a suitable cost recovery mechanism would be discussed between AEMO and DNSPs at that time
- AusNet Services raised a concern that the ‘involvement’ principle is inconsistent with other aspects of the regulatory framework and that AEMO clarify the fee structure principles in the NER to be consistent with the broader NEM framework

4. Final fee structure under consideration

Proposed final fee structure

PROPOSAL: Option 2 – Allocating costs to Wholesale Participants (27.5%) and Market Customers (72.5%) in a manner consistent with existing fee structures on a per initiative basis

***For Wholesale Participants:** 50% is charged as a daily rate based on aggregate of the higher of the greatest registered capacity and greatest notified maximum capacity (of energy or Frequency Control Ancillary Service (FCAS) markets) in the previous calendar year of units from Wholesale Participants; and 50% is charged as a daily rate based on MWh energy, or in the case of Market Ancillary Service Providers (MASPs) / Demand Response Service Providers (DRSPs) the equivalent FCAS enablement, scheduled or metered (in previous calendar year)*

***For Market Customers:** 37% is charged as a rate per MWh for a financial year based on AEMO’s estimate of total MWh to be settled in the spot market transactions by Market Customers during that financial year. The rate is applied to the actual spot market transactions in the billing period; and 63% is charged on a per connection point basis per week*

- 100% stakeholder support from submissions received
- Aligns most reasonably with the fee structure principles, particularly the reflective of involvement and not unreasonably discriminate principles
- Allows the appropriate Participants to begin to accommodate costs of the NEM2025 Reform Program initiatives that have progressed to the implementation stage, particularly in the FY2024-FY2026 period
- Allows other reform initiatives to continue to progress to a level where AEMO and stakeholders are better able to understand the impacts on Registered Participants (existing and new)

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

5. Other business

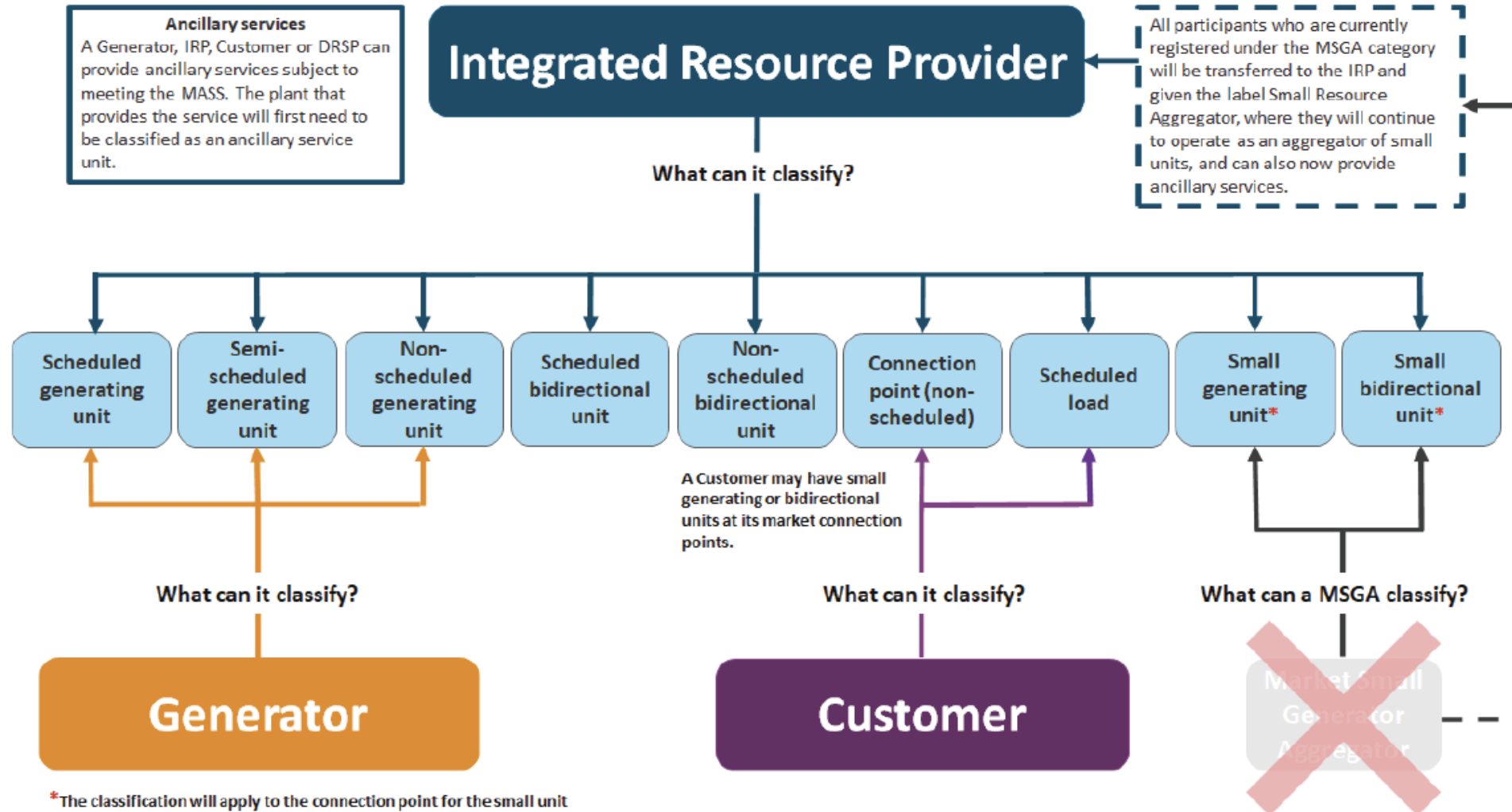
Integrated Resource Providers

Charging NEM General Fee

Background

- The [AEMC's IESS Final Rule](#) introduces a new Registered participant category the Integrated Resource Provider (IRP) from 3 June 2024, which can include:
 - a generating unit
 - plant as scheduled load
 - a bi-directional unit (new type of unit)
 - end user's connection point (non-scheduled load)
 - a small resource connection point (previously small generating unit)
- As part of the Final Rule's transitional arrangements, AEMO may, if it considers necessary or desirable, amend and publish an update to its current participant fee structures (e.g. Core NEM fees) to account for the new IRP participant category from 3 June 2024

AEMC Final Rule – Who can it classify ?



Approach to charging NEM General Fees



- AEMO’s 2021 participant fee determination accounted for the possibility of new participants categories coming into existence and signalled our intentions to leverage or map those categories to the existing fee buckets of Wholesale Participant, Market Customer and TNSP should this occur
 - The final determination introduced the term ‘Wholesale Participant’ to replace the previous ‘Generators’ category terminology to capture participants other than Scheduled and Semi-scheduled generators. For example, MASPs, SGAs, as well as new participants resulting from the energy transition and evolving NEM resources
- From 3 June 2024, once the IRP participant category is effective, **AEMO will charge IRP’s general NEM fees in the same manner they are currently** – either as a Market Customer (if consuming) or Wholesale Participant (if generating)
- **This is consistent with AEMO’s proposal for recovering NEM2025 Reform Program costs**

For those participants who register or re-register voluntarily or otherwise we therefore propose no changes to the way they are or would have been charged had the IRP not come into existence – i.e. effectively treating them as Wholesale Participants or Market Customers

Electricity Fee Structures

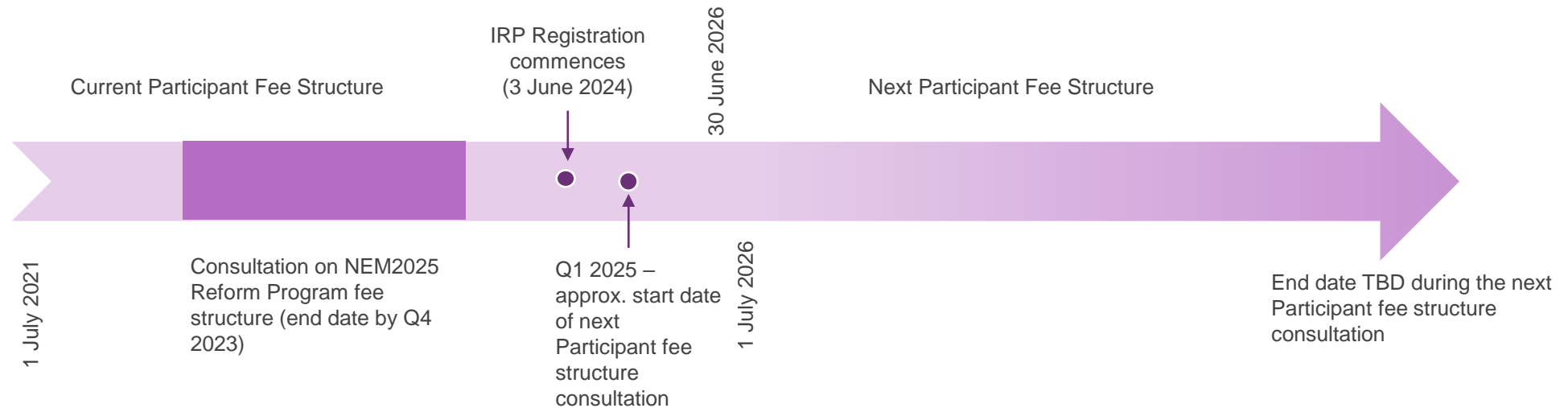
March 2021

Final Report and Determination

A final report and determination on electricity fee structures to apply to Participant fees from 1 July 2021

Consultation process and registration considerations

- The next general NEM participant fee structure consultation is due to commence early 2025, i.e. six months after the IRP participant category becomes effective
- Recovering costs from IRPs in the same manner as either a Market Customer or Wholesale Participant is consistent with the AEMC’s IESS Final Rule which maps existing participant classifications to either a ‘Generator’ or ‘Customer’ (slide 16)

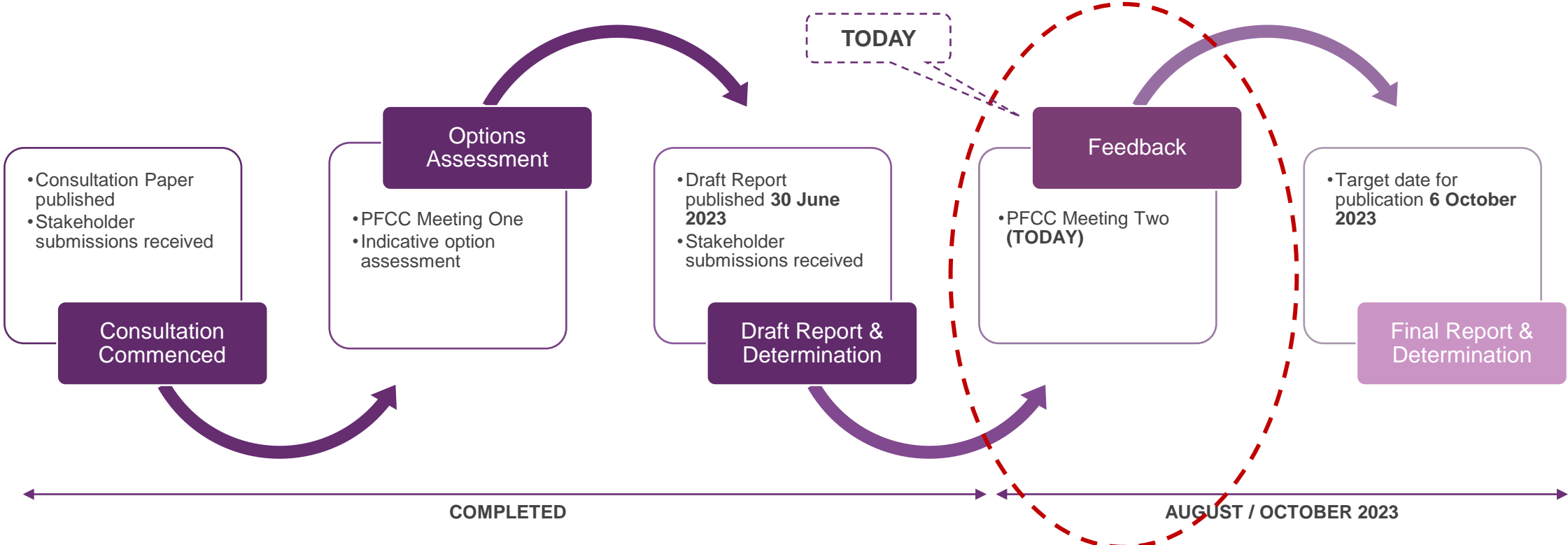


6. Next Steps and Close

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 ahead of publishing its Final Report & Determination in October 2023
- AEMO proposes that the next PFCC meeting is prior to publication of the Consultation Paper for the next general NEM Participant Fee structure 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.