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Dear Mr Westerman

Submission to the structure of participant fees for the NEM 2025 consultation paper

AusNet Electricity Services Pty Ltd (**AusNet**) appreciates the opportunity to provide feedback to Australian Energy Market Operator's (**AEMO**) consultation paper on the structure of participant fees for the National Electricity Market (**NEM**) 2025 reform project. We are supportive of the implementation of the Energy Security Board's NEM 2025 project established to enable the future direction of the NEM's investment and operation as we transition to a much greater use of renewable energy. The declared NEM project established for the NEM 2025 reform project will be recovering the necessary costs to fund this development by AEMO.

It is important that all NEM fee structure determinations, including the consultation on the NEM 2025 project reform fee structure, focus on delivering the best outcomes to customers. These industry costs will ultimately be paid for by energy consumers, regardless of the party AEMO assigns the fee too. Therefore, there needs to be a strong focus on efficiency. The total cost of the NEM 2025 project need to be carefully managed, with each reform that proceeds being supported by cost benefit analysis, to ensure consumers are better off, and not worse off, as a result of the NEM 2025 project.

For the purposes of cost recovery of the NEM 2025 declared project, we do not consider a change to the current fee structure is warranted before July 2026, on the basis the most substantive, and most costly, elements of the NEM 2025 project are not yet developed to the point of rule changes. Without this certainty, there is no reasonable basis to assess the following principles of cost recovery to determine the fee structure for the NEM 2025 reform project:

- **Reflective of involvement**, which requires a data-based 'causer pays' assessment or at a minimum a forecasted operating model consistent with rule changes.
- **Non-discrimination**, which require the fair allocation of cost based on the likely revenue and cost structures for each participant class in the future operating model.

Determining participant fee structures without the certainty, or detail behind, the proposed reforms within the NEM 2025 declared program would likely lead to inaccurate cost allocations potentially creating inefficiency. With the majority of the NEM 2025 project costs unlikely to be incurred until mid-2025, the most prudent option is to consider the structure of the fees related to the project as part of the next consultation of the core NEM fees (with the consultation expected to start in mid-2025). At that point in time, AEMO, stakeholders and the industry will have more information and certainty to enable a more informed assessment of the above principles.

Additionally, using the existing core NEM fee is administratively simple for AEMO to implement and easy for the industry to understand. The alternative approach of designing a new fee structure would require the rapid development of new structure of fees and metrics for recovering costs. For the reasons above this is unable to be done at this time. Without a compelling case to develop a new fee structure for NEM 2025, the current core NEM fee structure should be extended.

To deliver the best outcomes for customers the fee structure determination needs to consider the most economically efficient form of cost recovery. Consistent with the National Electricity Objective (**NEO**) the NEM fees on registered participants must serve to reduce the long-term costs of consumers. We have previously made

this point in response to the recent rule change consultation on recovering the cost of AEMO fees and in earlier AEMO NEM fee consultations.

To avoid higher inefficient long-term costs on customers and be consistent with the NEO, the registered participant cost allocations should only be on contestable parties that are in either:

- direct control of their cost of participation in the wholesale market in the case of generators and other service providers; or
- control of their unit prices in the contestable retail market in the case of market customers.

Under the current regulatory framework, Transmission Network Service Providers (**TNSPs**) and Distribution Network Service Providers (**DNSPs**) can only recover the costs if fees can be accurately forecasted in the relevant regulatory revenue determination. Therefore to recover the NEM costs, the fee structure must be established with the cost magnitude known in advance of the forthcoming regulatory revenue determination, up to six years in advance. As per our previous submissions on this issue, as The NEM fees lack this certainty they do not lend themselves to cost recovery by TNSPs and DNSPs.

In the forthcoming three years, we are very supportive of the establishment of a NEM 2025 participant fee consultative committee to workshop the fee structure. At these consultative committee meetings, we would like discuss the application of the principles in clause 2.11.1(b) in the National Electricity Rules. We consider that the application of the reflective of involvement principle in recent fee determinations is different to other aspects of the regulatory framework in the NEM that generally promote a beneficiary pays approach. It is very important that the forthcoming NEM participants fees that apply from July 2026 and any other new NEM fees established are efficient and consistent with the broader NEM regulatory framework. This consultative committee should be actively involved in ensuring this occurs.

If you have any queries on our submission, please do not hesitate to contact Justin Betlehem on 0396956288 or via email justin.betlehem@ausnetservices.com.au.

Sincerely,



Charlotte Eddy
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AusNet