

30 May 2025

Mr Lance Brooks
Manager Reform Strategy
Australian Energy Market Operator
L10, 10 Eagle Street
Brisbane, QLD, 4000

Email: reformdevelopmentandinsights@aemo.com.au

Dear Mr Brooks and colleagues,

Re: AEMO's National Electricity Market (NEM) participant fee structure review

Energy Networks Australia (**ENA**) appreciates the opportunity to respond to the Australian Energy Market Operators (**AEMO**) *NEM Participant Fee Structures Consultation Paper, April 2025* (the **Paper**)

ENA represents Australia's electricity transmission and distribution and gas distribution networks. Our members provide over 16 million electricity and gas connections to almost every home and business across Australia.

We thank AEMO for engaging proactively with impacted NEM participant stakeholders in this consultation. A transparent and predictable approach to the recovery of AEMO's costs of providing services, including performance of statutory functions, is essential to supporting cost efficiency and maintaining consumer trust as the sector transitions.

ENA's members (network service providers, **NSPs**), operate under a regulated framework with revenue allowances and expenditure scrutinised and set by the Australian Energy Regulator (**AER**). This framework differs substantially from the commercially flexible environments of other market participants. As such, fee structures must account for NSPs' unique obligations and constraints, especially the need for the predictability of costs over 5-year revenue determination cycles.

ENA members have considered the Paper with this in mind and wish to share the following key NSP perspectives.

- **Predictability and regulatory alignment:** fees recovered from NSPs should be stable, forecastable, and compatible with differing revenue determination cycles. Unpredictable or retrospective cost recovery mechanisms undermine regulatory certainty and risk inefficient outcomes for consumers. This could mean that more stable 'core' fees are applied to NSPs while less stable 'reform' fees are better applied to other participant classes.
- **Efficient and equitable cost allocation:** NSPs caution against allocating costs solely based on participation or 'touch points'. In many cases, NSP involvement reflects statutory or regulatory obligations rather than commercial choices.
- **Transparency and simplicity:** Fee structures should remain clear and administratively manageable. The administrative and regulatory burden of applying fees to DNSPs would likely increase overall costs to consumers. Should new fees be introduced for DNSPs, a transition period or mechanism, similar to that previously afforded to TNSPs, is strongly recommended.
- **Reform and program costs:** NSPs already bear costs for major reforms such as DER integration through their network operations obligations. Where reforms primarily benefit

other market participants (e.g., aggregators, retailers, customers), a benefit-based cost recovery model is more appropriate for these costs.

Attachment A provides more general comments and detailed responses to selected consultation questions.

ENA and its members look forward to working with AEMO on the development of appropriate participant fee structures that support efficient outcomes and consumer benefits. In the meantime, if you would like to discuss this submission, please contact Naomi Wynn (nwynn@energynetworks.com.au) in the first instance.

Kind regards,



Dominique van den Berg
Chief Executive

Attachment A

General comments

- Network service providers (NSPs) have their revenues set by the Australian Energy Regulator (AER) every 5 years. The AER sets a maximum allowed revenue (MAR) the business can recover from customers during that period. These are assessed and determined in a staggered way so not all NSPs are on the same determination cycles. Given this context, it is important that where AEMO applies fees to NSPs, they are stable and predictable. Applying fees to NSPs in a manner that is not stable and predictable risks breaching the principle of non-discrimination, because NSPs would have a less than equal opportunity to recover their costs, when compared with other participant classes that can pass on their costs in competitive markets.
- The National Electricity Objective (NEO), under the National Electricity Law (NEL), is focused on promoting “efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers.” AEMO’s approach to setting fee structures should promote the NEO and support efficiency and consumer benefit.
- Applying ‘causer pays’ or ‘user pays’ interpretations of ‘participant involvement’ in setting fees may not always improve efficiency, because:
 - the causes of AEMO’s costs are often not market participants (e.g. governments and rule makers, or customers installing CER), and so there is generally little ability for those allocated fees to control or influence AEMO’s costs, and
 - charging based on interactions or users of AEMO’s services may dissuade interaction with AEMO, which would be a perverse incentive when close collaboration with AEMO is required to plan and operate an efficient market and power system.
- .
- Simplicity in fee structures also drives efficiency. The addition of further payment steps and administration, or in the case of NSPs, regulatory processes, in between AEMO’s fees and customers, could increase overall costs and reduce efficiency. A benefits based approach also:
 - recognises when involvement is in service of broader system/consumer benefits, and
 - avoids penalising participants’ involvement and interactions with AEMO, so the fee structure supports (rather than discourages) system-wide efficiency and innovation.
- Increasing the suite of Registered Participants who incur fees may ultimately only add greater administration and transaction costs to end use energy consumers. This would particularly be the case for NSPs, where broadening the suite of parties subject to fees would require them to develop and apply complex methodologies to estimate fees many years in advance. Broadening participant types subject to fees would be unlikely to be an efficient or simple approach to recovering AEMO’s costs.
- Noting the regulatory obligations on NSPs in Q1 2026 to set prices for 2026-27, we strongly encourage AEMO to ensure that the final determination of the review is completed by end 2025, so that fees can be advised by mid-February 2026 when pricing inputs are finalised. Delays beyond this point risk preventing the outcomes of the review from being appropriately incorporated into NSP pricing, thereby undermining adequate cost recovery.

Response to consultation paper questions

Question 1: How do stakeholders interpret the Fee Structure Principles, and how should they be considered in the NEM Participant fee structure determination?

AEMOs description of the Fee Structure Principles is comprehensive. We suggest that an overarching consideration of whether the fee structures promote the NEO should be included in the assessment, including taking a pragmatic approach to delivering simple and efficient fee structures.

We note the level of discretion in the interpretation of the 'level of involvement' principle. We consider that applying 'causer pays' or 'user pays' interpretations of 'participant involvement' in setting fees may not always improve efficiency, because:

- all participants (generators, DNSPs, market customers, etc.) ultimately pass their costs on to consumers through electricity prices,
- even if AEMO carefully allocates costs to those who 'caused' them or 'used' services from AEMO, it doesn't change the fact that end consumers still foot the bill, just through different entities,
- as a result, this kind of cost allocation might not lead to better cost minimisation or market efficiency, which is the goal of productive efficiency.

There may be a need for a more outcomes-based, or benefits based, approach to fee allocation, that recognises when involvement is in service of broader system/consumer benefits, and avoids penalising participants' involvement and interactions with AEMO, so the fee structure supports (rather than discourages) system-wide efficiency and innovation.

We also consider that the non-discrimination principle plays an important role, and that affording all participant classes equal opportunity to recover their costs (not necessarily equal fees) is the best way to implement fee structures that align with this principle. We note that NSPs are constrained in their cost recovery processes by the regulatory process and expect to see this taken into account in fee structures, so they remain non-discriminatory.

Question 2: What are stakeholder views on how the changes in the NEM and subsequently, changes to AEMO's roles and responsibilities, impact or affect the Participant fee structures and why?

As the energy transition evolves, it is likely that AEMO's roles and functions will continue to change and grow. This is driven by both the increased complexity on the energy system and the likely continued alteration of AEMO's roles and responsibilities, as directed by policy makers and governments.

Within this context, it is likely that AEMO will continue to manage change projects that, in their nature, have a high level of cost uncertainty. ENA suggests that, due to the limited ability for NSPs to recover uncertain costs, fee structures should avoid allocating uncertain project costs to NSPs that have a limited ability to recover them.

Questions 3 to 5: Should there be changes to the make-up of Participant categories?

Any extension of fees to new categories of Participant should be carefully considered and balance the principles of level of involvement and simplicity, with an overriding consideration of the NEO. While AEMO has increased its interactions with DNSPs, it has done so either:

- to benefit customers by ensuring a secure energy system with increasing levels of CER, or
- to facilitate more integrated transmission system planning, the costs of which are recovered under the NTP Fee.

Accordingly, there is a strong case that DNPSs should not be included in a revised participant fee structure. Indeed, the added administrative burden on DNPSs, and the risks associated with under or over-recovery of fees should they fluctuate from forecasts in regulatory periods, would likely only be passed on to consumers as inefficiently high costs.

ENA makes no comment on whether Metering Coordinators or Integrated Service Providers should be included in a revised participant fee structure.

Question 6: How should AEMO look to recover the costs associated with its core NEM functions and why?

The costs associated with core NEM functions should continue to be recovered through the two split categories of Allocated and Unallocated costs. If this division were to be removed, this would increase the unpredictable measure of costs allocated to NSPs, exacerbating any cost recovery challenges caused by changes in NEM core fees.

These fees are determined independently by AEMO, with no ability for NSPs to manage or influence their amount or application. As such, AEMO's costs should be recovered through a transparent and equitable mechanism that is compatible with cost recovery for NSPs through regulatory processes. NSPs need to be able to accurately forecast costs and include AEMO's fee costs in revenue proposals, which are estimated up to seven years in advance of the actual costs being incurred. For this reason, we suggest the NEM core fees should be the only fee allocated to NSPs (other than NTP fees) and should be the most stable and predictable category of fees, particularly the allocated component. Questions 7 and 8: How should AEMO recover costs for its retail market functions? Should AEMO continue to separately recover costs for the electricity retail function from AEMO's other NEM functions? If so, why? (page 24)

AEMO should continue to recover retail market related costs separately. Alternative approaches risk blending costs associated with market functions into other fee categories (such as core fees), and recovering costs from Participants that are not 'involved' in these functions, such as NSPs.

The fee should continue to be recovered from Market Customers. While both Wholesale Participants and Market Customers are 'involved' in these market functions (e.g. MSATS), allocation to Market Customers is simple and efficient, recognises that the ultimate beneficiaries of the services are customers.

Question 9: Do stakeholders agree with AEMO's initial view to maintain the IT Upgrade & 5MS/GS Program fee in its current form in the new fee structure? If not, how should AEMO look to recover the costs associated with the IT Upgrade & 5MS/GS Program and why?

Cost recovery fees related to these IT categories should remain separate and targeted to participants who directly benefit or rely on these systems.

Other participant classes should not be exposed to these fees as this would go against the principle of charging fees, broadly, on the basis of the level of involvement of participants.

Questions 10 to 12: How should AEMO recover its reform program costs, including CER related reforms?

NEM reform costs (including IT, cyber, DER integration NEM2025 and other reform projects as and when they arise) should be recovered under a single reform fee. The reform fee should capture all major reform and change projects. The fee should be allocated in the same or similar manner as the current NEM2025 declared project fees. It is likely that this fee will be an enduring feature of the fee structure, given the demonstrated need for ongoing change and reform of AEMO's functions and systems to meet the needs of an energy system that will continue to evolve for decades.

Reform costs are often subject to greater uncertainty. They are difficult to forecast over regulatory timeframes and can be subject to escalation. Allocating such costs to NSPs would not afford them the same opportunity to recover the costs and could therefore breach the principle of non-discrimination between participants.

Furthermore, the allocation of reform fees to Wholesale Participants and Market Customers would be simpler, would carry forward the approach largely taken to date (which is currently widely accepted) and would broadly align with the principle of involvement, noting that many reforms are to enable an efficient, secure and reliable wholesale market and are ultimately for the benefit of customers.

Question 13: How should AEMO recover its NTP related costs from CNSPs and why?

AEMO's recovery of National Transmission Planner (NTP) costs from Coordinating Network Service Providers (CNSPs) remains appropriate in its current form.

Questions 14 to 19: How should fees related to PCF, connections, registrations and other services be recovered?

ENA has no substantive comments on these questions and sees no clear reasons to change the current fee structures or allocations that are the subject of the questions.

Questions 20 to 24: What should be the basis for charging various participant types?

ENA suggests that AEMO should reconsider the basis on which TNSPs/CNSPs are charged. The current approach allocates fees based on consumption within regions. This does not adequately allocate fees to participants who benefit from AEMO's services, such as REZ Network Operators and jurisdictional planning bodies that sit outside of TNSPs.

Arrangements for Victoria should also be considered in light of the movement of jurisdictional planning responsibilities from AEMO to Vicgrid.

ENA would be happy to explore alternative approaches.

Questions 25 and 26: What fee structure period should apply?

ENA supports retaining the current fee structure period of 5 years, however notes that this means that some NSPs are likely to consistently have difficulty in predicting the fee structures that will apply during their also 5 yearly regulatory determinations. If AEMO structures its fees so that stable fees are applied to NSPs and fees that are difficult to forecast are applied to other participants, this should be sufficient to address any concerns.

Questions 27 to 34: Are there any other matters that should be considered by AEMO in establishing a new Participant fee structure?

AEMO should consider how it determines the 'level of involvement' in particular for the NEM core fees. A single survey that occurs once every five years is likely to introduce a measure of volatility, potentially adjusting an NSPs share of fees significantly, but not so significantly that it reaches its cost pass-through threshold of one per cent of maximum allowable revenues. This would see NSPs at a significant disadvantage in their ability to recover their costs and could breach the principle of non-discrimination.

We suggest that surveys are conducted annually, and fees are allocated to different classes of participants on the basis of a rolling average of results. This would not be significantly administratively burdensome for AEMO but would provide NSPs with a transparent basis on which to forecast AEMO fees. This is helpful for NSPs estimating efficient future costs in regulatory processes and in avoiding potential surprises. This then equally protects consumers from a circumstance where a five yearly survey significantly reduces the allocations to NSPs, and such costs are then over-recovered until new regulatory determination periods take effect.

An approach to further stabilise the allocation of NEM core fees to NSPs would be to apply a fixed escalation in the quantum of fees allocated to NSPs throughout the five-yearly fee period.