

Forum meeting record

Forum:	Participant Fee Consultative Committee (PFCC)
Date:	27 April 2023
Time:	9:00 AM – 10:30 AM AEST
Location:	MS Teams

Name	Employer	Representing
Charlotte Eddy	AusNet Services	Energy Networks Australia (ENA)
Christaan Zuur	Clean Energy Council (CEC)	Clean Energy Council (CEC)
Dominic Adams	Energy Networks Australia (ENA)	Energy Networks Australia (ENA)
Mark Grenning	Grenning Consulting	Energy Users Association of Australia
Ben Hayward	Origin Energy	Australian Energy Council (AEC)
Ben Pryor	Shell Energy	Australian Energy Council (AEC)
Violette Mouchaileh	AEMO (Australian Energy Market Operator)	AEMO
Kevin Ly	AEMO (Chair)	AEMO
Lance Brooks	AEMO	AEMO
Reena Kwong	AEMO	AEMO
Mitchell Hume	AEMO	AEMO

PFCC Session Summary

- Recap on the basis of the NEM2025 Reform Program declared NEM project – its establishment and the Rules requirements AEMO is obliged to follow to determine a Participant fee structure.
- Overview of the Consultation Paper published in February and a summary of feedback received in submissions.
- Discussion on key issues for consultation to be considered in the Draft Report and Determination, particularly on the need for AEMO to balance the fee principles.
- Options on potential fee structures were presented for feedback.
- Overview on next steps of the consultation process.

1 Welcome & Agenda

- The Chair welcomed members and guests to the meeting and gave an acknowledgement of country.
- Participants were informed that the meeting will be recorded for the purpose of minute taking only.
- An outlined of the meeting agenda and objectives the PFCC was provided.

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2 NEM Reform Program – Background and Context

- AEMO provided an overview of the NEM2025 Reform Program (Program), and its establishment based on Energy Security Board’s (ESB) recommendations to Energy Ministers who approved the recommendations in October 2021.
- AEMO informed the group that with the complexity and scale of the initiatives, AEMO has been working closely with the Reform Delivery Committee (RDC) to put in place the NEM Reform Implementation Roadmap (Roadmap) that sets out a basis for which AEMO and industry can implement the reforms.
- AEMO highlighted those initiatives under the Program scope that were included under AEMO’s declared NEM project determination made in September 2021.
- AEMO identified the different governance arrangements in place in support of the Program and Roadmap i.e. a change management process, a stage-gate process and a progressive investment commitment process.

Raised by	Question/Issue Raised	Response
<p>Christiaan Zuur - CEC</p>	<p>How has the decision been made as to which projects are going ahead and therefore are being funded and which aren't? e.g. Operational security mechanism.</p>	<p>The existing declared NEM project determination for the Program sets out the potential scope of initiatives and therefore costs that may be recoverable under a NEM2025 Participant Fee Structure.</p> <p>However, only those initiatives that have passed through the Stage Gate (e.g., the AEMC, has made a final determination and implementation of a rule change becomes mandatory) and subsequent investment approval processes would be included in the costs to be recovered via a NEM2025 Participant Fee Structure and others would not until those processes have concluded.</p>
<p>Mark Grenning – EUAA</p>	<p>Would there ever be a circumstance where the projected costs of an initiative increased to a level it would not proceed?</p>	<p>Individual cost estimates for the initiatives that make up the NEM2025 Reform Program were first developed at the time of the ESB’s final recommendations to Energy Ministers and reviewed by an independent party based on the assumptions and scope at that point in time. These costs were subsequently reviewed and updated by AEMO in its assessment of alternative implementation pathways in developing the Roadmap.</p> <p>A cost benefit qualitative and/or quantitative assessment, including assessment against the NEO, is to be completed for each initiative. The party responsible for completing this assessment will depend on the initiatives in question (e.g., for reform initiatives AEMC as part of the rule change consultation or AEMO as part of its assessment of foundational and strategic initiatives).</p>

3 Recovering Participant fees for declared NEM projects

- AEMO reiterated the Rules requirements in determining Participant fees for declared NEM projects, including the structure of the fee, the recovery commencement date and period of recovery, and recovery can only be from Registered Participants.
- AEMO also outlined the fee principles and NEO which a Participant fee structure must align.

Raised by	Question/Issue Raised	Response
Charlotte Eddy – ENA	Would AEMO consider submitting a Rule change request to the AEMC to introduce a more economic principle to replace the current Reflective of Involvement principle.	AEMO acknowledge there is no real economic construct for how the Reflective of Involvement principle is met. AEMO interpret it as to the extent to which participants cause or benefit from or are involved with the program or initiative. This approach has been developed over a number of Participant fee consultations.

4 Consultation Paper

- AEMO summarised the key issues for stakeholder feedback in the Consultation Paper published in February on slide 12 of the accompanying slide pack.
- AEMO provided a brief overview of the two fee structure options that were presented in the Consultation Paper including the preliminary assessments against the fee principles and NEO.
- AEMO then summarised the key themes of the stakeholder submissions received to the Consultation Paper on slide 15 of the accompanying slide pack.

5 Key issues in determining a Participant fee structure

5.1 Interaction with NEM general Participant fees consultation

- AEMO noted the close timeframes between the expected completion of this consultation with commencement of its consultation on the next general NEM Participant fees structure determination
- AEMO noted the fee structure for the NEM2025 Reform Program determined in this consultation will be revisited at that time on an as required basis.

Raised by	Question/Issue Raised	Response
Mark Grenning – EUAA	Asked for clarification that if it is recommended that there is a change from the existing fee structure for the NEM2025 Reform Program, then that change may only last until July 2026.	Each fee structure must be looked at afresh at each general NEM Participant Fee structure consultation. Any structure determined now for the NEM2025 Reform Program would be applicable to 30 June 2026 and may be considered as part of the next general NEM Participant Fee structure consultation.

5.2 Go-live assessment (FY2024-FY2026)

- AEMO presented the reform initiatives due to be implemented within this current fee period (i.e. up until 30 June 2026) on slide 19 of the accompanying slide pack.

- AEMO noted that the costs of these initiatives would be rolled into the fee structure determined through this consultation as well as those costs of some of the AEMO Foundational and Strategic initiatives that are being developed within FY2024-FY2026.

5.3 Qualitative impact assessment across Participant types

- AEMO noted that the NEM2025 Reform Program impacts all Participants, while the overall objective of the Program is to deliver value and benefits to consumers or end-users.
- The information presented on slide 20 is designed to provide a high-level overview of the Participant categories that anticipated to be impacted by the Reform pathway.

Raised by	Question/Issue Raised	Response
Dominic Adams – ENA	There is a need to be careful on binding ourselves at this stage and pre-determining an outcome for mid-2026.	Noted. AEMO agree there are various trade-offs to be considered when allocating costs of the NEM2025 Reform Program across Participant categories including balancing uncertainty and accuracy over the short- and long-term.
Ben Hayward – AEC	Reflective of involvement will change over time as the Program progresses. It may be beneficial if there is an indication of how material the change in costs is for each Participant and when they will be recovered.	Noted. Action – AEMO to consider undertaking this analysis.

5.4 Balancing the principles

- AEMO outlined that there are five principles that a Participant fee structure must, to the extent practicable be consistent with.
- AEMO noted there isn't a set economic definition for 'reflective of involvement'. In the past, economic consultants have advised AEMO that the concept of involvement can encompass five aspects – as shown on slide 21 of the accompanying slide pack.
- AEMO noted, regarding the NEM2025 Participant Fee Structure a more simplistic fee structure option may be appropriate due to the uncertainty in scope and timing of certain initiatives within the Program.

Raised by	Question/Issue Raised	Response
Charlotte Eddy – ENA	From an economic perspective a beneficiary pays or causer pays is more clear.	AEMO noted this comment.
Dominic Adams – ENA	How does the interaction with the non-discrimination principle get taken into account, specifically in relation to a Participants (DNSPs) ability to recover the costs of AEMO's fees?	If AEMO decided to recover its costs through DNSPs then a transitional arrangement would be considered, in a similar way that was applied for TNSPs through the last general NEM Participant fee determination with a Rule change.
Mark Grenning – EUAA	While the Program is to deliver value and benefits to consumers or end-users, at an individual initiative level other Registered Participants similarly benefit from the reforms.	AEMO noted this comment.

Raised by	Question/Issue Raised	Response
	Preference is therefore for costs to go through a competitive market than simply be passed straight through to consumers. i.e. finding a way of ensuring that costs are competitive.	

5.5 Integrating Energy Storage Systems (IESS) Rule change

- AEMO informed the group that through the IESS rule change a new participant category is introduced in the current fee period – the Integrated Resource Provider (IRP). AEMO is therefore required to consult on whether this new category should be charged and how.
- Two options were presented with pros/cons and preliminary assessments against the principles and NEO for each on slides 24-25 of the accompanying slide pack – do not charge IRPs and charge IRPs as Wholesale Participants only.
 - AEMO also noted that there may be another option of charging IRPs as both Wholesale Participants and Market Customers based on the data received by the IRP.

Raised by	Question/Issue Raised	Response
Dominic Adams – ENA	Would there be benefits in having an incentive for participants to re-register as an IRP? i.e. any system-wide benefits or is it that the costs and benefits are finely balanced and an incentive would throw this out?	Difficult to know as there are obligations that come with changing registration to an IRP. It may be a commercial decision for the participants.
Mark Grenning – EUAA	Why is it discriminatory to charge costs that are incurred because of a particular participant category? They should pay their share if they cause the costs and are a beneficiary. Support IRPs being charged in some way.	AEMO clarified that in this case, the discriminatory principle is more in the case that there is an existing Participant (e.g., SGA) who is currently charged fees, but as per the rule change is now required to register as an IRP. As an IRP, should AEMO choose not to charge this participant category, then everyone else in that existing fee category (i.e., wholesale participants as SGAs are currently classified under this category) would need to cover those costs and there maybe a small increase in cost for those participants moving forward, despite the IRP still benefiting from the reform.

6 Potential fee structure options

- AEMO presented three (3) options to members for feedback (on slides 27-29 of the accompanying slide pack) with their pros/cons and a revised assessment (from the Consultation Paper) against the principles and NEO.

Raised by	Question/Issue Raised	Response
Dominic Adams – ENA	ENA note that allocating all to the core NEM fee would not be a fair reflection of involvement but that allocating across a range of existing fee structures may be more appropriate. However,	AEMO noted this comment.

Raised by	Question/Issue Raised	Response
	<p>this wouldn't be as transparent in separating out costs from BAU.</p> <p>ENA are supportive of option 2.</p> <p>Finally, the ENA note those initiatives going live between now and mid-2026, largely involved Wholesale Participants and Market Customers.</p>	
Mark Grenning – EUAA	Not supportive of option 3 – passing costs straight through to customers is not efficient.	AEMO noted this comment.
Ben Hayward – AEC	Is it harder to have something for two years and then explain why we are changing it?	Each fee structure must be looked at afresh at each general NEM Participant Fee structure consultation, this includes the NEM2025 Participant Fee structure.

7 Next steps

- AEMO advised that feedback from today's discussion would be taken into consideration (in conjunction with the submissions received) in developing the Draft Report and Determination.
- The next PFCC will follow the close date of submissions to the Draft Report and Determination.
- AEMO thanked all for participating in the discussion and requested that if there are any follow-up queries or questions for Committee members contact one of the AEMO staff.

OPEN ACTION ITEMS

#	Topic	Action	Responsible	Status
5.3	Analysis on potential change on costs for each Participant category when each initiative is expected to go-live	AEMO to consider undertaking this analysis.	AEMO	Open