



## Fact Sheet

### AEMO has released the Final Report and Determination for the structure of Participant fees to recover costs for the National Electricity Market (NEM) 2025 Reform Program.

Publication of this Final Report concludes the National Electricity Rules consultation process.

#### AEMO's Final Determination

After consideration of stakeholder submissions and engagements, including through the Participant Fee Consultative Committee (PFCC), AEMO's Final Report determines costs of the NEM2025 Reform Program will be recovered as a separate fee allocated to Wholesale Participants (27.5%) and Market Customers (72.5%) charging the following fee metrics:

- **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.

- The cost recovery period for the NEM2025 Reform Program will commence from each initiatives' go-live date, for a recovery period of seven years except for those initiatives with a go-live date prior to 1 July 2024 (for example, Fast Frequency Response, and Increased MT PASA Information). Cost recovery for these initiatives will commence from 1 July 2024.

With regards to cost recovery from the new Integrated Resource Provider (IRP) participant category:

- **Existing Market Customers or Generators that voluntarily re-register as IRPs**, as well as **existing Small Generation Aggregators (SGAs) that must re-register as IRPs**, will be charged in the same manner that they are currently charged AEMO fees (i.e. as Wholesale Participants or Market Customers).
- **New IRPs that register from 3 June 2024**, including batteries will be charged on the same basis as the existing Market Customer (for consumption) and Wholesale Participant (for generation) charging metrics.

The actual amount charged will be determined through AEMO's annual budgeting process.

Further detail, including an assessment of all options against the fee structure principles and National Electricity Objective (NEO), that led to the above Determination can be found in the Final Report.

#### Find out more:



[Structure of Participant Fees for AEMO's NEM2025 Reform Program – Final Report \(October 2023\)](#)

## Background

### What is the NEM2025 Reform Program?

The Energy Security Board (ESB), in collaboration with the market bodies (Australian Energy Market Operator (AEMO), Australian Energy Market Commission (AEMC) and Australian Energy Regulator (AER), has set out a pathway to transition the NEM into a modern energy system fit to meet consumers' evolving wants and needs.

In July 2021, the ESB made recommendations in four key areas that will fundamentally change many aspects of today's electricity systems and markets:

- Resource Adequacy Mechanisms,
- Essential System Services and Ahead Scheduling,
- Integration of DER and Flexible Demand, and
- Transmission and Access

Since the release of these recommendations, AEMO has been engaging with industry and stakeholder representatives to define an integrated delivery plan that aims to bundle and sequence initiatives with the aim of cost-effective delivery across AEMO and industry.

A summary of the initiatives that comprise the NEM2025 Reform Program is [available on our website](#).

### How do AEMO's fees work?

AEMO is a not-for-profit public company funded by fees and other charges (collectively known as our revenue requirement), applied to energy market participants and ultimately paid by end-use consumers.

These funds enable us to perform our fundamental role, to ensure safe, reliable and affordable energy today and enable the energy transition for the benefit of all Australians.

In determining the structure of Participant fees, AEMO must have regard to the NEO. In addition, the structure of Participant fees must, to the extent practicable, be consistent with the fee structure principles, which are stipulated in the National Electricity Rules (NER).

### What was proposed to change through this consultation?

AEMO consulted on the structure of Participant fees to recover costs for the NEM2025 Reform Program, including the Participants that would be charged, the metric by which they would be charged and the period/s over which recovery will occur.

The actual amount charged will be determined through AEMO's annual budgeting process.

AEMO initially considered two options to recover the NEM2025 Reform Program costs in a [Consultation Paper](#) published in February 2023. For its [Draft Report and Determination](#) (Draft Report), published in June 2023, AEMO considered the two options originally presented in more detail, and, in response to feedback, developed one option further.

The three options proposed in the Draft Report were:

1. To use the existing fee structures
2. To establish a separate NEM2025 Reform Program fee that allocates costs to Wholesale Participants (27.5%) using existing Wholesale Participant metrics, and Market Customers (72.5%) where the Market Customer metrics include:
  - 37% 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; and 63% is charged on a per connection point basis per week.

3. To establish a separate NEM2025 Reform Program fee that allocates 100% of the costs to Market Customers.

### **Our engagement approach and what we heard from stakeholders**

We received 13 submissions responding to the Consultation Paper, and three submissions to the Draft Report which are all available on [our website](#).

AEMO also held several informal discussions with interested stakeholders. AEMO also established the [Participant Fee Consultative Committee](#) (PFCC) as one key mechanism to collaborate and engage with industry and consumers. The PFCC was established to include broad representation across market participants, with expressions of interest (EOIs) called for consumer representatives to participate. The PFCC met on 27 April 2023 and 7 September 2023, providing an opportunity to seek further feedback on the proposed options and key issues.

Of the submissions received to the Consultation Paper, there were mixed views on whether the existing Participant fee structures are appropriate to apply to the NEM2025 Reform Program versus a separate fee being established. There was stakeholder support to establish a separate fee to improve cost transparency and to reflect the involvement of Participants being charged for the program. Some stakeholders also noted that introducing recovery from Distribution Network Service Providers (DNSPs) would be difficult due to existing regulatory barriers that do not factor cost recovery of AEMO's fees from this participant category.

There was strong feedback that the existing fee metrics remain appropriate for the program and that cost recovery should commence from when an initiative goes live. Feedback to the Draft Report indicated support for Option 2, with stakeholders reiterating feedback related to the need for a cost

recovery mechanism for DNSPs should they be charged. AEMO also notes verbal feedback from the EUAA via the PFCC, that raised broader concerns regarding the 'involvement' principle, affordability and impact of costs on consumer bills.

Further detail on the key points made in each submission, and AEMO's responses, can be found in Appendix A5 of the Final Report.

### **Next steps**

Publication of the Final Report represents the close of consultation for the Participant Fee Structure for the NEM2025 Reform Program. Fees will commence as advised in the Final Report.

We welcome continued engagement with stakeholders. AEMO's next general NEM fee consultation is expected to commence in Q1 2025 and AEMO expects to reconvene the Participant Fee Consultative Committee as this consultation progresses.