

3 March 2023

Daniel Westerman  
Chief Executive Officer  
Australian Energy Market Operator  
Submitted via email: reformdevelopmentandinsights@aemo.com.au

Dear Mr Westerman

**RE Participant Fee Structure for the NEM2025 Reform Program Declared NEM Project**

TasNetworks welcomes the opportunity to respond to the Australian Energy Market Operator's (**AEMO's**) consultation paper on the structure of participant fees for the NEM 2025 Reform Program.

As Tasmania's transmission network service provider (**TNSP**), distribution network service provider (**DNSP**) and Jurisdictional Planner, TasNetworks works collaboratively with AEMO to securely plan and manage Tasmania's electricity network. This relationship will continue as work progresses to implement the electricity system envisioned by the Energy Security Board's Post 2025 Project.

AEMO has a substantial role in the energy transition and supporting decarbonisation of the electricity system. The increasing complexity associated with this role has led to significant increases in AEMO's budget over the last few years. In the absence of intervention, costs are expected to continue increasing as AEMO begins to implement the NEM 2025 reforms that are estimated to be significant. Given the size and breadth of these reforms, TasNetworks supports the development of a separate fee structure as part of the next general fee determination.

The development of any new fee structure must be complemented by a thorough and transparent consultation process. In particular, AEMO must consult on the indicative split and allocation to each participant and participant group. Given most of the reforms have not progressed beyond the policy stage, this will allow time for AEMO and market participants to understand their level of involvement in the NEM 2025 Reform Program.

TasNetworks is particularly concerned about fees being allocated to DNSPs before the 2026 fee determination given the limited exposure these businesses have traditionally had to AEMO's costs. Unlike TNSPs, DNSPs may not have accounted for these fees in their revenue

proposals nor have a mechanism to directly recover the costs from customers. Given the above requirements, TasNetworks is concerned there is insufficient time to adequately consult with affected parties should a new fee structure commence in Q3 2023.

It must also be acknowledged that the costs associated with the NEM2025 reforms are ultimately paid for by consumers, either through generator bids, retail prices or network charges. For this reason, greater efforts should be taken to ensure AEMO's functions are delivered at the lowest possible cost.

Although AEMO are implementing a number of organisational improvements to reduce costs, there is a lack of transparency and oversight of the AEMO budget. Stakeholders can advocate for lower fees during the annual budget and fee engagement, however, under the current framework there remains limited ability to ensure ongoing efficiencies and cost minimisation is achieved. NSPs are able to provide advice to AEMO on their fees through the appropriate forums but they do not have decision-making authority on costs. As a result, TasNetworks would like to encourage a robust independent cost-benefit analysis of AEMO's NEM 2025 Reform Program to ensure expenditure is in the long term interests of consumers. This will assure market participants and customers that AEMO fees are providing commensurate benefits.

If you would like to discuss any aspect of this submission, please contact Matthew Clarke, Senior Economic Policy Analyst at [matthew.clarke@tasnetworks.com.au](mailto:matthew.clarke@tasnetworks.com.au).

Yours sincerely

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Chantal Hopwood  
Head of Regulation