

21 May 2025

Lodged via email: reformdevelopmentandinsights@aemo.com.au

AEMO's Draft Report and Determination - New cyber security roles and responsibilities consultation

Energy Networks Australia (ENA) welcomes the opportunity to make this submission in response to the Australian Energy Market Operators (AEMO) Draft report and Determination cyber roles and responsibilities consultation paper.

ENA represents Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia. This submission is on behalf of transmission businesses.

The new functions are not a major reform warranting a separate fee

ENA acknowledges the crucial nature of cyber security and the new functions - as AEMO notes 600+ participants in the NEM are impacted. We recognise that this is an important change to AEMO's functions, responsibilities and obligations/powers under the NER, essentially adding four new functions.

However, and despite submissions to the contrary, AEMO has decided that the cyber roles are a major reform that warrant a new NEM declared project fee. We are concerned this will establish a precedent of setting a low threshold for a major reform that will see a proliferation of NEM declared projects and ultimately fee types, particularly when the simplification and aggregation of fee types is being considered in the general participant fee structure consultation.

AEMO notes that a new declared project allows transparency of costs that would not be afforded by including costs in the existing core fees. We agree that transparency and control of costs is essential, particularly given that rule makers, Ministers and registered participants can request or oblige AEMO to undertake new functions and the costs and results of these should be transparent and scrutinised. ENA suggests there are alternative approaches, that would not involve new fee types, to providing transparency and opportunities for scrutiny of financial and project management performance of new responsibilities.

It is critical to ensure fair allocations across states

ENA requests clarification regarding the basis on which the fee is intended to be allocated. In 5.4 the allocation to TNSPs is noted to be on the basis of energy consumed for the latest completed financial year, which is the same % allocation for the NTP fee. Table 3 however infers a fee structure allocation like the existing NEM core fee, which recognises special arrangements and a lower allocation for Victoria.

We understand that AEMO has not made the case that the special AEMO Victorian arrangement should apply for the new functions. ENA supports the allocation of fees to each state on the basis of pure energy consumption figures as being the fairest approach for customers. There are no special circumstances relating to the specific new cyber functions that would warrant any differences in allocation between the regions.

Notification and Start Date

AEMO considers that operating expenditures should be recovered in the financial year in which they are incurred. ENA agree that this is desirable for both AEMO and for participants in the NEM.

AEMO should also be mindful CNSPs' charges have already been published on 15 March 2025. An AEMO determination by 30 June 2025 on the cyber fees to start charging NSPs on 1 July 2025 is exceedingly late and affords the NSP no similar arrangement for timely cost recovery.

Timings impact transmission charges and ultimately consumers

AEMO advised the AEMC on 27 November 2024 that the updated cyber estimates were:

- Establishment and BAU costs for years 1-3 are forecast between \$8-10m per year
- Ongoing costs beyond the initial three years are forecast between \$8.5-\$9.5m per year.

AEMO proposes a cyber fee of \$14.7m which includes costs in FY25/26 from 11 Dec 24 and also the FY 26/27. AEMO will charge the respective allocation/participants in FY25/26 for 18 months of costs and there may be a similar allocation in FY26/27. ENA is mindful that transmission charges will include several years of cyber fees next year, there may be a similar catch up from market customers, and this has impacts on consumers bills.

ENA appreciates that timings may not have allowed earlier clarity on this aspect, however we welcome the fee structure consultation to be finalised this year and early notification of fees to the respective networks so this does not occur in the FY26/27 year's charges on a grander scale. Allocating charges for market functions is best done with the party who is closest to end consumer billing and has more flexibility to pass costs on and affords AEMO slightly longer to determine budgets and allocations each year.

ENA looks forward to working with AEMO on this consultation and on future consultation on the fee structure statement to apply from 1 July 26. In the meantime, if you would like to discuss this submission, please contact Verity Watson (vwatson@energynetworks.com.au) in the first instance.

Yours sincerely,



Dominic Adams
General Manager - Networks