Australian Energy Market Operator

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Submission to AEMO NEM Participant Fee Structure Consultation paper

The Australian Energy Council welcomes the opportunity to make a submission to the AEMO NEM Participant Fee Structure Consultation paper (Consultation paper).

The Australian Energy Council (AEC) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

Section 4.2.2 Consultation paper

Customer energy resources (CER) in the distribution networks are expected to play an increasing role in the market which is well beyond their participation to date. There is currently over 20 GW of rooftop PV and 1.5 GW of CER storage.[1] The former is forecast to reach 40 GW in 2031 and the latter 10 GW. In contrast, there was just under 14 GW of rooftop PV and negligible CER storage in 2021 when the last NEM Participant Fee Review was published.

The expectation is that these resources will play an increasingly important role in the generation market. This is evidenced by a series of recent rule changes including *Integrating price-responsive resources into the NEM*.[2] The key aim of this rule change is to allow aggregated consumer energy resources (CER), demand response and independent small generators/batteries to be scheduled and dispatchable in the NEM.

The Consultation paper (p. 20) also notes,

> *"… many of the upcoming initiatives to be implemented under the NEM Reform Program as well as the National CER Roadmap will require DNSPs to engage more with the broader market, and subsequently with AEMO's operational systems, procedures and processes."*

Like CER, reforms and rule changes such as *Accelerating smart meter deployment* will result in more engagement between AEMO and metering coordinators (MCs) that was not previously the case.

Another aspect of CER that is causing increasing work for AEMO is rooftop PV output and minimum system load (MSL). AEMO has and continues to expend resources to address this issue which only

[1] 2024 Integrated System Plan – Chart Data
[2] https://www.aemc.gov.au/rule-changes/integrating-price-responsive-resources-nem

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gets worse as more rooftop PV is installed.[3] Furthermore, AEMO's procedures expect the wholesale market to address MSL in first instance. This can include:

- Recalling planned transmission outages.
- Reducing grid-scale generation.
- Increasing electricity demand by large user[4]

Only when all wholesale market interventions have failed to mitigate MSL is the source of the problem required to reduce output.

The CER and metering landscape has changed significantly since 2021 and AEMO's involvement in this space has increased and will continue to. Accordingly, we believe it is appropriate to include DNSPs and MCs as participants that are subject to NEM fees that recover AEMO costs. The Consultation paper (p. 20) notes concern about how DNSPs would recover the fees from their users. We do not see this as a barrier because there are many precedents where DNSPs have been used to recover many government policy costs such as the costs of state-based roof top solar schemes. Furthermore, TNSPs are already subject to NEM Fees and there have been no problems with this.

Any questions about our submission should be addressed to Peter Brook, by email to peter.brook@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours sincerely,

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[3] https://aemo.com.au/initiatives/major-programs/nem-distributed-energy-resources-der-program/managing-distributed-energy-resources-in-operations/managing-minimum-system-load

[4] https://aemo.com.au/-/media/files/learn/fact-sheets/2024/fact-sheetminimum-system-load.pdf?la=en