



AGL Energy Limited

T 02 9921 2999

F 02 9921 2552

agl.com.au

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 1837

St Leonards NSW 2065

Australian Energy Market Operator

By email: reformdevelopmentandinsights@aemo.com.au

3 March 2023

NEM 2025 reform fee allocation

AGL Energy (AGL) welcomes the opportunity to provide feedback on the *Structure of participant fees for the Australian Energy Market Operator's National Energy Market 2025 reform program* consultation paper.

AGL is a leading integrated essential service provider, with a proud 185-year history of innovation and a passionate belief in progress – human and technological. We deliver 4.3 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of 11,208 MW, which accounts for approximately 20% of the total generation capacity within Australia's National Electricity Market.

Question 1

- a. Which option presented in section 3.5 is appropriate for the recovery of the NEM 2025 Reform Program costs? Why?

We consider option 2, using a separate NEM 2025 reform program fee, to be superior as it is more reflective of involvement and allows greater visibility of the fee.

- b. Is there another fee structure that would be more appropriate for recovery of the NEM 2025 Reform Program?

We suggest that AEMO consider whether a new participant fee structure should apply to each of the three NEM 2025 reform pathways (Resource Adequacy Mechanism, Essential System Services and Ahead Mechanism, and Integration of DER & Flexible Demand) as this may improve opportunities to ensure the allocation is more reflective of involvement.

- c. Which Registered Participant should the costs of the NEM 2025 Reform Program be recovered from and why?

Determining which registered participants should bear the costs should be through a transparent rigorous assessment of involvement for each of the various reforms, which should then be provided to stakeholders for the next phase of this consultation. We do not support the determination of which participants should bear the costs on the basis of stakeholder submissions, or survey of AEMO Senior Managers as is used to determine core NEM function cost allocation. We cannot at this stage say that any registered participant category should be excluded, given the broad impact of the NEM 2025 reforms.

Question 2

Are the fee metrics used for the existing Registered Participant fee categories appropriate to apply to the recovery of the NEM 2025 Reform Program costs? If not, what metric/s is/are more appropriate?

Yes. Consistent with past participant fee consultations we support the 50% capacity-based and 50% energy-based fee allocation for wholesale participants (and the use of this broader category rather than the previous



generator category), the 50:50 \$/MWh and \$/NMI for market customers, and the allocation to TNSPs based on their jurisdiction's consumption on a per GWh basis.

Question 3

a. AEMO proposes the recovery commence when the projects go live. Do stakeholders consider this appropriate?

No. See below.

b. AEMO proposes the recovery period commences when the first of the NEM 2025 Reform Program initiatives is implemented, with subsequent initiatives rolled into the NEM 2025 fee structure determined, as and when they are implemented, subject to the program's funding approvals process and the AEMO budget process (as outlined in Appendix A3). Do stakeholders consider this appropriate?

No. The expectation of a new reform can provide investment signals which lead to the accrual of benefit in advance of a project going live. In addition, some NEM reforms are overdue (for example those which value system services that were not previously appropriately valued by the market) and therefore it is not unreasonable that the costs of these reforms be allocated to existing customers, even if some may not benefit in the future. We therefore suggest that for some reform projects the cost allocation should commence as soon as is practicable.

Question 4

Are there any other issues relating to determining a fee structure for the NEM 2025 Reform Program that need to be considered?

The consultation paper states that the implementation for the NEM 2025 reform program will continue until at least Q2 2027, however it is unclear over what period AEMO intends to recover the NEM 2025 reform program costs. Given the benefit of the reforms will be accrued by all participants going forward we suggest the fees should be allocated across a period of a minimum of ten years.

We also suggest AEMO provide forward fee trends and use a glide path approach to the allocation of NEM 2025 Reform Program participant fees so that the fees are less volatile and therefore easier to manage by those allocated the fees.

If you have any queries about this submission, please contact Anton King on (03) 8633 6102 or aking6@agl.com.au.

Yours sincerely,

Liz Gharghori

A/g Senior Manager Wholesale Markets Regulation