

AER FERM Scheme Regulator Guideline

South Australia's Firm Energy Reliability
Mechanism scheme

July 2026

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1 Introduction

1.1 About us

We are the Australian Energy Regulator (AER) – the economic regulator for electricity and gas networks in every state and territory in Australia, except Western Australia. We regulate electricity networks under the National Electricity Law (NEL) and the National Electricity Rules (NER). The NEL and the NER have an overarching National Electricity Objective which seeks to promote efficient investment in and operation of electricity services in the long-term interests of consumers. We exist to ensure energy consumers are better off, now and in the future.

We have also been appointed as a Scheme Regulator under the National Electricity (South Australia) (Firm Energy Reliability and Orderly Exit Management) Regulations 2025 (FERM Regulations).

1.2 South Australia’s Firm Energy Reliability Mechanism scheme

The South Australian Government’s FERM Regulations establish the Firm Energy Reliability Mechanism (FERM) scheme, which aims to maintain the security, reliability and affordability of South Australia’s electricity supply as the state increases its use of renewable energy.

The South Australian Minister for Energy and Mining sets a target for the scheme each year for the amount of reserve electricity that must be available for supply for up to 8 hours at short notice.¹ After considering the existing capacity from current sources, further capacity is sought (if needed) from other long-duration dispatchable electricity providers (firming providers), identified through competitive tender processes.

These firming providers enter contracts with the Financial Vehicle – an entity established under the scheme. The contractual arrangements provide revenue certainty for scheme participants by guaranteeing a revenue floor. The contractual arrangements also facilitate revenue sharing with the Financial Vehicle, where a participant’s revenue exceeds the floor.

The scheme is designed to ensure that South Australian electricity consumers have a reliable and consistent supply of electricity, by increasing the capacity of back-up services. The scheme aims to reduce the risk of interruptions to electricity supply during disruptions to the electricity network or periods of peak electricity demand. The costs of this scheme are recovered from South Australian electricity consumers, through the network charges which feed into retail bills.

Operation of the scheme requires several scheme entities:

- **The Scheme Administrator** – The Scheme Administrator is AusEnergy Services Limited (ASL). It has several functions, including conducting competitive tenders to secure firming participants in the scheme, developing a risk management framework,

¹ FERM Regulations, reg. 7.

establishing the governance and financial arrangements for the scheme, and appointing the Financial Vehicle.²

- **The Financial Vehicle** – The Financial Vehicle is Equity Trustees Limited (EQT) is the counterparty to contracts awarded under the scheme. EQT is responsible for administering the FERM Fund (that is, collecting monies and making payments associated with the operation of the scheme, in a manner consistent with the risk management framework and contractual arrangements) and monitoring and enforcing compliance with the contractual arrangements.³
- **The Scheme Regulators** – The Scheme Regulators are the Essential Services Commission of South Australia (ESCOSA) and the AER. Our functions as a Scheme Regulator are set out in section 1.3. ESCOSA’s responsibilities include monitoring and reporting on the performance of the FERM Scheme and the scheme entities, managing and reporting on capacity commitments from existing firming providers, and developing guidelines on the performance of its functions.⁴
- **Long duration dispatchable electricity providers** – Long duration dispatchable electricity providers (firming providers) are not scheme entities but are scheme participants. Contracted participants receive payments from the Financial Vehicle where their net revenue is below the agreed revenue floor (subject to an annual cap) and make payments to the Financial Vehicle where their revenue is above the agreed revenue floor (subject to an annual cap).

The effective operation of the scheme is supported by the overarching requirement for scheme entities to act independently and in the long-term financial interests of South Australia electricity consumers⁵.

1.3 Our functions under the FERM Regulations

Our power, functions and duties⁶ as a Scheme Regulator are:

1. Reviewing and approving the risk management framework developed by the Scheme Administrator for the Financial Vehicle.⁷
2. Making or varying contribution determinations, and related functions – such as developing and issuing contribution notices, requesting information from and consulting with scheme entities to inform the development of a contribution determination.⁸
3. Reviewing, approving and reporting on revisions or exemptions to a firming providers commitment of firming capacity.⁹

² FERM Regulations, reg. 10.

³ FERM Regulations, reg. 12.

⁴ FERM Regulations, reg. 11.

⁵ FERM Regulations, reg. 14(a).

⁶ These powers, functions and duties have been conferred in accordance with an agreement between South Australia and the Commonwealth under section 44AI of the *Competition and Consumer Act 2010 (Cth)*.

⁷ FERM Regulations, reg. 11(1)(a)(iii).

⁸ FERM Regulations, reg. 11(1)(e), 27, 28, 29, 37.

⁹ FERM Regulations, reg. 15, 22(5), 22(6)(b), 22(7)(b).

4. Overseeing, monitoring and enforcing compliance with the scheme, by scheme entities and regulated entities¹⁰ (including administering civil penalties under the NEL).
5. Determining assessable costs (i.e., fuel prices) under a FERM contract in accordance with the Scheme Regulator’s guidelines.¹¹
6. The functions, powers and duties of the AER under the National Electricity Rules, as modified by the FERM Regulations, relating to transmission pricing determinations.¹²

To perform these functions, we have guideline development requirements, information gathering powers and reporting obligations.¹³

1.4 Purpose of this guideline

This guideline sets out how we will undertake 2 of our functions under the FERM Regulations, and will consist of 2 parts:

- **Contribution determination** – setting out how we will undertake our functions relating to making and varying contribution determinations (function 2).
- **Fuel price determination** – setting out how we will undertake functions relating to determining assessable costs under a FERM contract (function 5).

The fuel price determination component of the guideline (section 3) is required to inform FERM contracts with firming providers that use gas or liquid fuel. At the time of publishing this guideline, there are no participants in the FERM scheme that use gas or liquid fuel. We will develop and publish this component of the guideline if this changes.

We are authorised to make and publish this guideline under the FERM Regulations and will publish and maintain it on our website.¹⁴ We may update this document with further guidance regarding the FERM scheme in the future, including adding further parts to address other functions we have under the FERM Regulations.

¹⁰ FERM Regulations, reg. 11(1)(b).

¹¹ FERM Regulations, reg. 11(1)(d).

¹² FERM Regulations, reg. 11(1)(f), 31, 34.

¹³ FERM Regulations, reg. 15, 16, 17(1)-(2), 32(3), 37.

¹⁴ FERM Regulations, reg. 37.

2 Contribution determination

A contribution determination is a decision by the AER (as a regulator under the FERM Regulations) on:

- the amount of money a Transmission Network Services Provider (TNSP) must contribute to the FERM Fund
- the minimum prudent cash balance that needs to be retained in the FERM Fund.

The purpose of a contribution determination is to ensure the Financial Vehicle has enough money to fund the FERM scheme’s liabilities over a regulatory year (in total) and throughout a regulatory year (at any point in time).

Expenditure forecasts from scheme entities inform the expected liabilities of the FERM scheme over a regulatory year. The minimum prudent cash balance ensures the Financial Vehicle can meet the FERM scheme’s liabilities throughout the regulatory year by accounting for:

- timing mismatches between when a liability falls due and when the FERM Fund receives payment from a TNSP
- liabilities that are difficult to forecast (such as those associated with the discharge of firming services).

The FERM Fund is used by the Financial Vehicle to finance the FERM scheme. It is the store of revenue collected under the scheme and is used to make payments associated with the operation of the scheme.

Revenue collected under the scheme consists of:¹⁵

- money paid by a TNSP under a contribution notice
- payments from a firming provider under a FERM contract
- advances from a scheme entity, the South Australian Treasurer, or the South Australian Parliament (which may be in the form of a loan or grant)
- voluntary contributions to the fund
- any civil penalties paid to the fund
- income and interest from investments of money from the fund
- any other money paid into the fund for the purposes of the FERM Regulations.

¹⁵ FERM Regulations, reg. 21(4).

Payments associated with the operation of the scheme may consist of:¹⁶

- payments to a firming provider under a FERM contract
- costs incurred by scheme entities or the Minister in the administration of the scheme (or the performance of functions)
- payments to TNSPs (for negative contribution amounts)
- payments to service any loans or repay any advances entered into by the Financial Vehicle
- other costs required under the FERM Regulations or to meet any other financial liabilities of the Financial Vehicle.

TNSPs pass on their contribution amounts to their prescribed transmission services customers, with most of the amounts being paid for by Distribution Network Service Providers (DNSPs). DNSPs pass on these costs to electricity retailers through their network charges, who in turn pass the costs on to consumers as part of retail tariffs in their electricity bills. As a result, South Australian consumers ultimately pay for costs associated with the FERM scheme.

2.1 Contribution determination process

The contribution determination process consists of 8 steps and takes approximately 6 months to complete. The process and approximate timing of each step is summarised in Table 2.1. We must make contribution determinations by 1 March each year.¹⁷

Table 2.1 Contribution determination timeline

Contribution determination step	Timing
1. We request information from the scheme entities to be provided to us, and the Financial Vehicle to inform the development of a contribution determination.	August
2. Scheme entities’ submission due to us and the Financial Vehicle.	Mid September
3. The Financial Vehicle undertakes a preliminary quality assurance review of the information (that is, confirming that there are no material omissions), collates the information and submits it to us.	Mid September – early October
4. We and the Financial Vehicle concurrently conduct a more detailed quality assurance process over the information provided, raising queries with scheme entities as required.	October
5. Once the quality assurance process is completed and all queries are resolved, scheme entities resubmit the information requested, certified by their respective Chief Executive Officers.	Late October - Mid November

¹⁶ FERM Regulations, reg. 21(8).

¹⁷ FERM Regulations, reg. 27(1).

Contribution determination step	Timing
6. We consult with the Financial Vehicle, inform the TNSP and engage with the Scheme Administrator on the estimated contribution amount and the estimated minimum prudent cash balance.	Late November to early December
7. We develop the contribution determination using the information provided by the Financial Vehicle and calculate the contribution amounts for the TNSP.	Early December to end January
8. We make the contribution determination for the relevant year, publish the determination on our website and issue the contribution notice to the TNSP.	February

We ask the Financial Vehicle to provide both actual and forecast income and expenditure related to scheme entities carrying out their duties, and to advise on the appropriate minimum prudent cash balance for the FERM Fund. We request actual and forecast income and expenditure across 4 regulatory years:

- the previous regulatory year (t-2)
- the current regulatory year (t-1)
- the upcoming regulatory year for which the contribution determination is being made (t)
- and the following regulatory year (t+1).

We provide an Excel-based template that sets out the information we require, along with the model we use to calculate the contribution amounts. The template and model may be amended from time to time, as the scheme evolves. They are available on our website, alongside this guideline.

Once the information is reviewed, all queries are finalised and the information is certified, we calculate the required contribution amounts. This process consists of:

- determining the net actual and expected liabilities for the FERM Fund over the regulatory years (t-2), (t-1), (t) and (t+1)
- determining the minimum prudent cash balance based on advice from the Financial Vehicle
- smoothing the revenue requirement across 3 regulatory years (t-1, t, t+1)
- adjusting the revenue requirement to account for year-to-year variation in liabilities and any required change in the minimum prudent cash balance
- equitably allocating the required revenue to TNSPs that are subject to the FERM Regulations, with the payments to be made in quarterly instalments, in arrears.

The contribution determination is made and published on our website. Finally, we issue contribution notices to TNSPs, informing them of the contribution amounts and the dates by which they must be paid.

2.2 Collection and collation of information

We commence the contribution determination process in August each year by requesting information from scheme entities to be provided to us and the Financial Vehicle (step 1).¹⁸ The Financial Vehicle receives the information (Step 2), conducts a preliminary quality assurance review and then collates the necessary information from scheme entities as required and shares it with us (step 3).¹⁹

The information we request is the:

- costs incurred and forecast by scheme entities in the performance of their functions under the FERM Regulations (including costs associated with implementing and administering the scheme)
- forecasts of the Financial Vehicle’s financial liabilities under the scheme²⁰
- estimated minimum prudent cash balance for the FERM Fund
- required supporting material.

Our request includes a description of the information required, an Excel-based template for each scheme entity to complete (including the Financial Vehicle and ourselves), and an excel workbook (the model) containing the calculations involved in making the contribution determination.

Once we receive the above information from the Financial Vehicle, we and the Financial Vehicle concurrently conduct a quality assurance process (step 4).²¹

The quality assurance process is a review of the information provided (including the supporting or justifying material) to ensure the estimates are accurate, justifiable and consistent with the FERM Regulations. This is particularly relevant to the Financial Vehicle’s forecast liabilities, which are required to be consistent with the FERM Risk Management Framework (which is developed by the Scheme Administrator and [approved by the AER](#)).²²

We will consult and raise queries with scheme entities as needed during this phase.

Once the quality assurance process is completed, scheme entities must resubmit the data, certified by their Chief Executive Officer, as being true and accurate (step 5). This is only a requirement for information provided after the quality assurance process is complete.

The Financial Vehicle provides the completed and certified templates and the model to us for review and decision.

¹⁸ FERM Regulations, reg. 15(1).

¹⁹ FERM Regulations, reg. 12(1)(d).

²⁰ FERM Regulations, reg. 12(1)(d)(i).

²¹ Information we provide on the actual and forecast costs incurred in the performance of our functions under the FERM Regulations is reviewed by the Financial Vehicle.

²² FERM Regulations, reg. 10(2).

2.2.1 Information requests (steps 1 & 2)

The information requested from scheme entities relates to the costs incurred by scheme entities in performing their functions under the FERM Regulations. To promote transparency, scheme entities should provide as much as possible detail on the types of costs they incur. At a minimum, we expect this to consist of, and be provided in, the categories set out in Table 2.2. Entities may wish to provide additional cost categories, however any categories should remain consistent from year to year for assessment purposes.

Table 2.2 Categories of expenditure for scheme entities

Category	Description
Staff costs	Costs associated with staff based on the time spent working on these functions.
Consultancies (ongoing)	Costs associated with consultancy services to assist a scheme entity in performing its functions. These are the consultancy services that are expected to be a regular (at least once per regulatory period) expenditure, as opposed to a one-off or irregular expenditure.
Consultancies (non-ongoing)	Costs associated with consultancy services to assist a scheme entity in performing its functions. These are the consultancy services that are expected to be one-off or irregular expenditure (as opposed to a regular and frequent expenditure).
Fees	Fees and charges incurred, in relation to performing FERM functions, as relevant. The Financial Vehicle is funded on a fee basis.
Other	Costs that have not been captured elsewhere. For the avoidance of doubt this does not include costs associated with non-FERM functions.

Information required from the Financial Vehicle will also include:

- payments to and from firming providers under FERM contracts
- revenues from investment activities
- debt servicing or other financing costs which may include the repayment of any loans, advances or grants and the associated interest or financing costs
- the minimum prudent cash balance the Financial Vehicle recommends for the FERM Fund.

All costs claimed by scheme entities should be provided for:

- the previous regulatory year (t-2)
- the current regulatory year (t-1)

- the upcoming regulatory year that the contribution determination relates to (t)
- the subsequent regulatory year (t+1).

Costs associated with the previous regulatory year (t-2) must be actual expenditure, recorded on a cash basis (not an accrual basis).

All other costs are expected to be forecasts, representing the scheme entity’s best estimate of expected expenditure.

2.2.2 Non-disclosure claims

As an independent regulator, we are committed to making well-informed and accountable decisions that are in the long-term interests of energy consumers. We consider transparency to be essential to achieving good regulatory decisions. Stakeholders should have access to sufficient information to be able to understand and assess the substance of issues affecting their interests.

We acknowledge that there are circumstances in which it is appropriate for information provided to us to not be disclosed publicly, especially where publishing the information is likely to harm the commercial interests of a party or the long-term interests of consumers. However, we seek to balance protecting such information with disclosing information for an open and transparent decision-making process that allows consumers to be informed of the costs and benefits of the projects they ultimately pay for.

When providing information to us and the Financial Vehicle, we expect scheme entities to identify what (if any) information they wish to not be disclosed in our contribution determination and a robust justification for each discrete component of information. These claims are to be recorded in the input templates used to provide information.

Justification should include information on to how disclosure may cause detriment and how non-disclosure outweighs the benefit from publication. We also expect scheme entities to consider ways to present information to balance transparency for stakeholders with sensitivities associated with disclosure (i.e. by aggregating information or data).

We will consider these claims when making our contribution determination.

2.2.3 Supporting documentation

All scheme entities must provide supporting documentation substantiating the information provided. This should consist of:

- an explanation of how the information provided is consistent with this guideline
- a description of the source of the information provided and the methodology used in developing the forecasts (including any assumptions underpinning the forecasts)
- a justification of the methodology used in the development of the forecasts
- a description of the quality assurance process undertaken in the development of the information
- the reasons a scheme entity considers its forecast expenditure to be efficient.

We expect each scheme entity to be responsible for the accuracy, integrity and transparency of its inputs and supporting material. This will support the timely delivery of the contribution determination. Inaccuracies and errors in inputs can delay the process.

2.2.4 Quality assurance (step 4)

Our quality assurance process involves reviewing the information and supporting documentation to monitor consistency over time and identify evidence of reasonable judgement in developing forecasts (i.e., based on reliable information). Our process will include comparing actual expenditure with forecast expenditure over previous years.

2.2.5 Audited data

We are not proposing a requirement for scheme entities to conduct and provide evidence of an independent audit of actual expenditure associated with the t-2 regulatory year. However, this does not exempt a scheme entity from any other legal requirements to do so.

Each scheme entity is subject to a financial audit for the whole of its activities (including those functions unrelated to the FERM scheme).

We consider the additional costs of conducting an audit of a subset of a scheme entity’s expenditure related to FERM functions outweighs the benefits – particularly as these costs would be passed on to consumers. We may revisit this position in future iterations of this guideline, or in individual circumstances, if we consider this appropriate.

2.2.6 Certification (step 5)

When providing the final versions of the information requested, each scheme entity must provide certification from its Chief Executive Officer that:

- They have approved the costs provided in the completed input template
- There is no double counting regarding any other sources of administration cost revenue
- the information is accurate, true and complete to the best of their knowledge.

This may be in the form of a signed document, with a statement reflecting the above.

2.2.7 Consultation (Step 6)

We will consult with the Financial Vehicle and scheme entities throughout the contribution determination process, as appropriate. We expect to consult with scheme entities during the development of the information notices and the quality assurance process. We also expect to consult with relevant entities prior to publishing the contribution determination on our website.

2.3 Contribution determination model

2.3.1 Minimum prudent cash balance

Each year, we will set a target minimum prudent cash balance and any adjustment necessary for the fund to reach the target balance from the previous year’s balance. Our decision on the minimum prudent cash balance is informed by advice from the Financial Vehicle.

The Financial Vehicle is responsible for ensuring there are sufficient funds available to service its liabilities as they fall due and has influence and knowledge of the FERM Fund’s future cash flows and day to day liabilities. The Financial Vehicle is required to administer the FERM Fund in line with its approved Risk Management Framework.²³

We expect the Financial Vehicle to consult with us when developing its methodology for estimating the required minimum prudent cash balance, prior to submitting its response to our information request. We will consider the method and resulting estimate in making our decision.

The nature and certainty of the cash flows required for the FERM Fund can vary over time, as the scheme evolves and expected liabilities change. As a consequence, the method for determining the minimum prudent cash balance may also need to change. We will include a description of the methodology used in making the contribution determination to provide transparency of our decision.

2.3.2 Calculating the contribution amount (step 7)

The contribution determination model is the set of calculations that determine the required contribution amount (total) for the upcoming regulatory year. It commences with the calculation of the net annual expenses for the Financial Vehicle, by year ($t-1$, t and $t+1$). This is reached by combining the net income and expenditure forecast for each regulatory year ($t-1$, t and $t+1$).

$$Net\ Expenditure_i = \sum Expenditure_i - \sum Income_i$$

Where i =the regulatory year ($t-1$, t , $t+1$)

Using these inputs, a 3-year rolling average of net expenditure is calculated. We use a rolling average to satisfy our requirement to limit the variability in contribution determination amounts from year-to-year.²⁴

$$Average\ annual\ expenditure = \frac{\sum_{i=t-1}^{t+1} Net\ Expenditure_i}{3}$$

Where t =the regulatory year that the contribution determination relates to

Next, we calculate and make 2 adjustments:

- the true up adjustment
- the minimum prudent cash balance adjustment.

True up adjustment

The true up adjustment allows the contribution determination to account for the difference between the net actual expenditure and net forecast expenditure in the previous regulatory year ($t-2$).

²³ FERM Regulations, reg. 10(2).

²⁴ FERM Regulations, reg. 27(3)(b)(ii).

Net forecast expenditure for the t–2 year is obtained from the t–1 regulatory year of the **previous** contribution determination. Net actual expenditure is obtained from t–2 regulatory year for the current year’s contribution determination.

$$\text{True up adjustment} = \text{Net actual expenditure}_{t-2} - \text{Net forecast expenditure}_{t-2}$$

If net actual expenditure was greater than the forecast expenditure, the true up adjustment will be positive – meaning greater expenses were incurred than were forecast or collected. In this circumstance, the minimum prudent cash balance would have dropped below the target level for that regulatory year. Adjusting the contribution amount upwards for the next regulatory year corrects for this scenario.

If actual expenditure is less than forecast expenditure, the true up adjustment will be negative – meaning less expenses were incurred than were forecast or collected. In this scenario, the minimum prudent cash balance will be higher than the target level. This adjustment allows revenue collected in a regulatory year to be used to reduce the burden on consumers, by reducing the contribution amount for the next regulatory year.

Minimum prudent cash balance adjustment

The minimum prudent cash balance (MPCB) adjustment ensures the contribution amount accounts for funds already collected to achieve the previous year’s MPCB. Each year, we decide the target MPCB for the upcoming regulatory year (t). This is compared with the target balance from the previous regulatory year (t–1) to determine the MPCB adjustment.

$$\text{MPCB adjustment} = \text{Current MPCB target}_t - \text{Previous MPCB target}_{t-1}$$

If the current target is higher than the previous target (provided in the previous year’s contribution determination), the contribution amount increases. If the current target is lower than the previous target, the contribution amount reduces.

Contribution amount

The net expenditure and adjustments calculated above, are combined to determine the contribution amount for the upcoming regulatory year (t):

$$\text{Contribution amount} = (\text{Average annual expenditure}) + (\text{True up/down adjustment}) + (\text{MPCB adjustment})$$

These calculations are set out in the model provided to the Financial Vehicle for completion and accompanying this guideline.

If the total contribution amount is a negative number, we will consult with the Financial Vehicle and Scheme Administrator about whether it is appropriate to carry the balance into the next contribution determination, or to return payments to TNSPs.

2.3.3 Allocating the contribution amount to TNSPs

In making the contribution determination, we are required to consider the equitable allocation of amounts payable under the contribution determination between TNSPs – after applying

any principles, methodologies or approaches specified by the Scheme Regulator’s guidelines.²⁵

At the time of writing this guideline, only one TNSP is operating in South Australia (ElectraNet) for the purposes of this scheme. Consequently, there is no need to determine the equitable allocation of contribution amounts between TNSPs, because ElectraNet will be required to pay the entire contribution amount.²⁶

If another TNSP commences operation in South Australia for the purposes of the FERM scheme, we will develop a method of equitably allocating the contribution amounts between TNSPs in consultation with stakeholders. In developing this method, we will consider the circumstances of each TNSP and seek to ensure a level playing field. We will set out this method in an update to this guideline.

We are also required to limit the variability in contribution amounts within a regulatory year.²⁷ We satisfy this requirement by evenly distributing the contribution amounts across 4 quarterly payments made within the regulatory year.

2.4 Final product

2.4.1 The contribution determination (step 7)

We will make a contribution determination before 1 March ahead of the start of each regulatory year.²⁸ Once we make a contribution determination, we will publish it on our website.²⁹

The determination will specify the contribution amount that will be recovered from or returned to each TNSP for the relevant regulatory year, and the minimum prudent cash balance to be retained in the FERM Fund.³⁰

Our determination will also include our completed model (redacted for any agreed non-disclosure claims) and a description of the method used to determine the minimum prudent cash balance. This will include total forecasts for each scheme entity for the relevant regulatory years (t-1, t, t+1), the total adjustments and the target minimum prudent cash balance.

2.4.2 Contribution notices (step 8)

After making a contribution determination and publishing it on our website, we are required to provide advice to TNSPs on the effect of the contribution determination on the TNSP. This advice is provided in the form of a contribution notice.³¹

²⁵ FERM Regulations, reg. 27(3)(b)(iii).

²⁶ FERM Regulations, reg. 27(3)(b)(iii), 27(4).

²⁷ FERM Regulations, reg. 23(b)(i).

²⁸ FERM Regulations, reg. 27(1).

²⁹ FERM Regulations, reg. 27(8).

³⁰ FERM Regulations, reg. 27(2).

³¹ FERM Regulations, reg. 29(1).

The contribution notice will specify:³²

- the quarterly amounts the TNSP is required to pay into (or receive from) the FERM Fund under the contribution determination
- the dates by which the payments must be made by (or to) the TNSP
- the way in which each payment must be made (i.e. the party that is to be paid).

TNSPs are required to comply with a contribution notice, making (or receiving) payments into (or from) the FERM Fund.³³

The payments occur on a quarterly cycle, as set out in Table 2.3, with payments in arrears and on the last day of each quarter. This ensures all payments associated with a regulatory year are made within the regulatory year.

Table 2.3 Quarterly payment cycle for contribution amounts by TNSPs

Contribution period	Quarterly payment due date
1 July – 30 September	30 September
1 October – 31 December	31 December
1 January – 31 March	31 March
1 April – 30 June	30 June

2.4.3 Handling of errors

Any errors, deviations of actuals from estimates or changes to forecasts that occur after a contribution determination has been made and published will be dealt with under the subsequent contribution determination.

2.5 Interaction with the NER

When a TNSP is determining its transmission charges for an upcoming regulatory year in accordance with the requirements of the NER, the TNSP must recover or return the contribution amounts from, or to, its transmission customers.³⁴

These contribution amounts are included as an adjustment in a TNSP’s annual service revenue requirement for its prescribed transmission services, which will be recovered from the TNSP’s prescribed transmission service customers. This comprises of SA Power Network and ElectraNet’s direct connect customers. SA Power Networks passes the cost onto retailers and consumers through their network charges.

If we issue a variation to a contribution notice, a TNSP may vary its charges for prescribed transmission services within a given regulatory year to recover the contribution amounts,

³² FERM Regulations, reg. 29(2).

³³ FERM Regulations, reg. 29(3)-(5).

³⁴ FERM Regulations, reg. 31(1).

even if the charges have already been determined under the NER for the regulatory year.³⁵ Varied contribution notices are only issued if we vary a contribution determination.

2.6 Contribution determination variations

The FERM Regulations allow us to vary a contribution determination if it appears to us that the Financial Vehicle will not be able to meet its liabilities as they fall due, or that the cash balance of the FERM Fund has or is likely to fall below the minimum prudent cash balance specified in the contribution determination.³⁶

Varying a contribution determination can have a significant impact on a DNSP’s cashflow.

TNSPs may vary their charges for prescribed transmission services within a regulatory year, in response to a variation in a contribution notice (or the issuance of a new one). However, DNSPs cannot amend their network charges outside the annual pricing process, which occurs in May each year. A consequence of this mismatch in timing is that a DNSP may be required to carry the liabilities relating to additional contribution amounts until the next annual pricing process. These liabilities could be significant.

Having regard to this, we will only vary a contribution determination in one of the following circumstances:

- the Financial Vehicle notifies us that it will not be able to meet its liabilities as they fall due
- the cash balance of the FERM Fund has fallen below the minimum prudent cash balance, or
- we consider the cash balance is likely to fall below the minimum prudent cash balance.

To satisfy ourselves that the above circumstances exist, we expect to see:

- the steps the Financial Vehicle has undertaken to raise funds without requiring a contribution determination to be varied
- the outcomes of these steps and the modelling to support the requested variation sufficient evidence and detail from the Financial Vehicle to support its claims.

In making our decision to vary a contribution determination, we may consult with prescribed entities under the FERM Regulations, regulated entities (i.e. ElectraNet and SA Power Networks), request further information from scheme entities or seek independent advice.

If we decide to vary a contribution determination, the FERM Regulations provide ElectraNet with discretion as to whether to pass on the changes to the contribution amounts to its prescribed transmission customers immediately or defer recovery until the next regulatory year. In exercising this discretion, we encourage ElectraNet to engage with the South Australia distribution network service provider (SA Power Networks).

³⁵ FERM Regulations, reg. 31(4)-(5).

³⁶ FERM Regulations, reg. 28(1).

3 Fuel price determination

Under Regulation 11(1)(f), the AER is required to determine assessable costs under a FERM contract in accordance with the Scheme Regulator guideline. Fuel price is identified as an assessable cost in a FERM contract. This section will establish an approach for determining the fuel price for the purposes of calculating the fuel reimbursement in a FERM contract.

Currently, no gas or liquid fuel generators have been awarded a contract and so this guideline does not address the AER’s functions under regulation 11(1)(f). If this changes, we will update this guideline accordingly to address this component of the FERM Regulations.

Glossary

Term	Definition
AER	Australian Energy Regulator
Contribution determination	The annual contribution determination to be made by the AER as regulator under FERM Regulations, reg. 27.
Contribution Notice	A notice, issued under reg. 29 of the FERM Regulations, provided to a TNSP providing advice on the effect of the contribution determination on a TNSP.
DNSP	Distribution Network Service Provider
FERM	Firm Energy Reliability Mechanism
FERM Regulations	National Electricity (South Australia) (Firm Energy Reliability and Orderly Exit Management) Regulations 2025
Financial Vehicle	Equity Trustees Limited (EQT)
Firming provider	A person who is an existing or new electricity entity capable of providing long duration dispatchable electricity capacity.
Information notice	A request, issued by the AER, for information, administered under reg. 15 of the FERM Regulations.
Prescribed entities	Scheme Administrator/s, Financial Vehicle, regulated entities (ElectraNet and SAPN)
Scheme Administrator	AusEnergy Services Limited (ASL)
Scheme entities	Scheme Administrator/s, Scheme Regulator/s, Financial Vehicle
Scheme Regulators	Essential Services Commission of South Australia (ESCOSA) and AER
TNSP	Transmission Network Service Provider
Year notations	As at the date a contribution determination is published: • A contribution determination is made in March of year $t-1$, referring to the current financial year. • The year actual expenditure (instead of forecast) is required is year $t-2$. • The regulatory year a determination applies is year t, referring to the upcoming financial year. • The year following the upcoming regulatory year is year $t+1$. Example: • A contribution determination is published in March 2025 ($t-1=2024-25$). • The actuals year is 2023–24 ($t-2$). • The regulatory year for this determination is 2025–26 (t). • The following regulatory year is 2026–27 ($t+1$).