Communication – FERM Scheme 2027−28 Contribution Determination

1. Introduction

This communication accompanies the AER's FERM Scheme Regulator Guideline, published in July 2026. It provides clarification and guidance for stakeholders regarding the 2027−28 contribution determination process. Specifically, it sets out:

- an adjustment to the information required for the AER's first contribution determination (2027−28).
- the AER's information requirements and expectations for supporting evidence, accompanying a scheme entity's actual and forecast expenditure.
- the timing for each stage of the AER's 2027−28 contribution determination process.

This communication was developed in response to issues raised by stakeholders, during consultation on the draft AER's FERM Scheme Regulator Guideline.

These issues are not legislative requirements. This communication addresses the issues and may be removed or updated in future processes.

This communication is intended to support the 2027−28 contribution determination.

2. Adjustment to information requested for the first year of the FERM scheme

Sections 2.1 and 2.2 of our guideline set out the information we require from scheme entities to inform the contribution determination. This consists of actual and forecast income and expenditure related to scheme entities carrying out their duties, and advice on the minimum prudent cash balance for the FERM Fund. We request this information over 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 do not require information related to the t-2 regulatory year for the 2027−28 contribution determination.

The regulatory years for the 2027−28 contribution determination are set out in Table 1, below.

Table 1. Regulatory years and information required for 2027−28 contribution determination

Regulatory year notation	Regulatory Year	Information required
t-2	2025−26	Not required for the 2027−28 contribution determination
t-1	2026−27	Forecast expenditure
t	2027−28	Forecast expenditure
t+1	2028−29	Forecast expenditure

The first contribution determination for the FERM scheme was made by the South Australian Department for Energy and Mining (DEM) for the 2026−27 regulatory year. Any expenditure incurred by scheme entities prior to the 2026−27 year are recovered through alternative arrangements and do not need to be reported through this process.

Actual expenditure for the t-2 regulatory year is used to calculate the true-up adjustment – an adjustment to account for the difference between the net actual and net forecast expenditure for the t-2 regulatory year. This is set out in section 2.3.2 of the guideline.

Because there is no t-2 regulatory year, there will be no true-up adjustment for the 2027-28 contribution determination.

3. Information requirement and supporting materials

Section 2.3 of the guideline sets out the information we request from scheme entities each year, including supporting material (which is set out in further detail in section 2.2.3).

Collectively, we expect the supporting material to provide information that supports the forecast expenditure as being efficient and accurate. We encourage scheme entities to actively consider whether their forecasts are efficient, exercise their best judgment, and to share the information they used to inform their judgement.

We expect the supporting material to vary between scheme entities and are best determined by each scheme entity. The examples below are provided for illustrative purposes.

The accuracy of a forecast is supported by the choice of method and inputs used to develop the forecasts. For example:

- Staff costs can be forecast using the unit rates and the forecast number of units (FTE) of staff working on FERM functions. A justification for using this method may be that it is consistent with how staffing costs are determined across other functions of a scheme entity or for accounting and budgetary purposes.
- Unit rates may be publicly available or provided as part of the supporting material. The forecast number (and seniority) of units can be provided along with a description of why the scheme entity considers this number and makeup of staff is necessary to perform the scheme entity's functions. This may include reference to the scope of responsibilities for different staff, and the complexity of tasks involved in performing functions.

The efficiency of a forecast may be supported by comparison with an efficient reference point, with any adjustments described. For example:

- The efficiency of staffing costs can be supported by comparison to historical (actual) costs an entity incurred in performing the same or similar functions under the same or other jurisdictions.
- If consultants are engaged, evidence of a competitive procurement or tender process and the basis for selecting the successful consultant can demonstrate the efficiency of consultancy costs.

The appropriate supporting material for each entity will vary and we encourage scheme entities to engage with us to resolve any uncertainty or concerns, at any time.

4. Timing for each stage of the contribution determination process

Section 2.1 of the guideline (Table 2.1) sets out the approximate timing (by month) for each stage of the contribution determination process.

The specific timings set out in Table 2, below are our expectations for each stage of the process for making the 2027−28 contribution determination. We will apply this timetable flexibly, to allow for challenges scheme entities may face in undertaking this process for the first time, but it reflects our current expectations.

Table 2. 2027-28 Contribution Determination process 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.	17 Aug 2026
2. Scheme entities' submissions due to us and the Financial Vehicle.	15 Sep 2026
3. The Financial Vehicle undertakes a preliminary quality assurance review of the information (that is, to confirm there are no material omissions), collates the information and submits it to us.	16 Sep – 2 Oct 2026
4. We and the Financial Vehicle concurrently conduct a quality assurance process over the information provided, raising queries with scheme entities as required.	6 - 23 Oct 2026
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.	26 Oct – 20 Nov 2026
6. We consult with the Financial Vehicle, inform the Transmission Network Service Provider (TNSP) and engage with the	23 Nov – 4 Dec 2026

Contribution determination step		Timing
	Scheme Administrator on the estimated contribution amount and the estimated minimum prudent cash balance.	
7.	We develop the contribution determination using the information provided by the Financial Vehicle and calculate the contribution amount for the TNSP.	7 Dec 26 – 29 Jan 27
8.	We make the 2027-28 contribution, publish the determination on our website and issue the contribution notice to the TNSP.	26 Feb 2027