electranet

13 May 2026

Sean Mullins
Director Renewable Energy Zones
Level 3 | 23 Marcus Clarke Street
Canberra
2601

Electronic lodgement - FERM@aer.gov.au

Dear Sean

Re: Draft FERM Scheme Regulator guideline

ElectraNet welcomes the opportunity to make a submission to the Australian Energy Regulator's (AER) draft Firm Energy Reliability Mechanism Scheme (FERM) Regulator guideline.

ElectraNet is South Australia's principal electricity Transmission Network Service Provider (TNSP) and is accordingly the sole TNSP within the South Australian region for the purposes of the FERM.

ElectraNet broadly support the draft guideline and considers that it is not the role of a TNSP to unduly influence how contribution amounts are determined. We would, however, like to make some broad comments about some aspects of the guideline, concerning volatility for customers and SA Power Networks, as well as the interaction of the FERM within existing pricing processes.

Customer Volatility

ElectraNet will pay into the Financial Vehicle the amounts specified in each contribution determination, which will be recovered through prescribed transmission prices via an adjustment to the Common Services component. As a result, the costs of the FERM Scheme will be recovered from both SA Power Networks' customers and ElectraNet's direct connect transmission customers in South Australia.

While transmission charges comprise only a relatively small proportion of a typical distribution customer's retail electricity bill (around 10 per cent), they represent a substantially larger share of energy costs faced by ElectraNet's direct connect customers, potentially up to 40 per cent.

Any volatility in transmission charges arising from the operation of the FERM Scheme will therefore have a disproportionately greater impact on these direct connect customers. ElectraNet considers it important that, in exercising its functions as the FERM scheme regulator, the AER places appropriate weight on transparency and minimising unnecessary volatility in prescribed transmission charges.

Interaction with pricing processes

The draft Guideline specifies that contribution notices will be issued to ElectraNet on 1 March each year, in accordance with the FERM Regulations. While this timing aligns with the transmission and distribution pricing processes, ElectraNet considers that it may not fully accommodate the information requirements associated with the AER's Default Market Offer (DMO) process.

SA Power Networks engages with ElectraNet in early February to obtain indicative transmission charges for the forthcoming regulatory year, which are incorporated into its preliminary pricing proposal and inform the network component of the draft DMO released in mid-March. ElectraNet considers it would be prudent for the AER to explore whether contribution notices could be issued earlier than the nominated date, or otherwise provide earlier certainty, so that more accurate information can be provided to SA Power Networks and unnecessary volatility between the draft and final DMO can be avoided.

Out of Cycle Contribution Orders

The FERM Regulations provide for the issuance of out-of-cycle contribution determinations payable by ElectraNet and allow ElectraNet to republish transmission prices to recover these amounts within the relevant regulatory year. While this mechanism ensures that ElectraNet is maintained whole, SA Power Networks has no corresponding ability to reissue distribution prices and may therefore be exposed to material under-recoveries.

Any such under-recovery would ultimately need to be corrected in a subsequent year, increasing future prices for consumers. ElectraNet notes that the AER has acknowledged this issue in the draft Guideline and wishes to place on record that it considers the use of out-of-cycle contribution determinations to be an absolute last-resort measure, to be relied upon only where no practicable alternative exists and all other funding opportunities have been exhausted.

ElectraNet look forward to ongoing engagement with the AER on this guideline in the coming months. If you would like to discuss any aspect of this submission, then please contact Ed Heaton on [redacted] in the first instance.

Yours sincerely

[redacted]

Bec Malhotra
Manager Regulation

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