SACOSS
South Australian Council of Social Service

SACOSS' Submission to the Australian Energy Regulator on the Draft 2026 FERM Scheme Regulator Guideline

May 2026

SACOSS' Submission to the Australian Energy Regulator on the 2026 FERM Scheme Regulator Guideline - contribution determination model review May 2026

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Introduction

The South Australian Council of Social Service is the peak non-government representative body for health and community services in South Australia, and has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. SACOSS does not accept poverty, inequity or injustice. Our mission is to be a powerful and representative voice that leads and supports our community to take actions that achieve our vision, and to hold to account governments, business, and communities for actions that disadvantage vulnerable South Australians.

SACOSS' purpose is to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantaged and low-income consumers in South Australia. With a strong history of community advocacy, SACOSS and its members aim to improve the quality of life for people disadvantaged by the inequities in our society.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities, like water and electricity, impacts greatly and disproportionately on people experiencing vulnerability and disadvantage.

SACOSS would like to thank the Australian Energy Regulator (AER) for the opportunity to provide feedback on the *AER FERM Scheme Regulator Guideline - Draft* (**the Draft Guideline**), dated 29 April 2026.[1] The purpose of the Guideline is to set out how the AER will undertake its Contribution Determination functions under South Australia's Firm Energy Reliability Mechanism (FERM) Regulations. The Contribution Determination will decide the funding a TNSP (ElectraNet) must contribute to the FERM fund, and the minimum cash balance needed to be retained in the FERM.

In support of this submission, SACOSS refers the AER to our previous submissions to the Department for Energy and Mining on the Firm Energy Reliability Mechanism (FERM) consultation, as well as our recent submission to the AER on the Default Market Offer 8 Draft Determination:

- SACOSS, Submission to the AER on the Default Market Offer prices 2026-27: Draft Determination, April 2026
- SACOSS, Submission to the department for Energy and Mining on the Firm Energy Reliability Mechanism: Stage 2 Consultation Paper, July 2025
- SACOSS, Submission to the Department for Energy and Mining on the Firm Energy Reliability Mechanism: Consultation Paper, December 2024

[1] Australian Energy Regulator, FERM Scheme Regulator Guideline – Draft, 29 April 2026

Summary of submissions

In summary, SACOSS makes the following submissions in response to this consultation:

- SACOSS strongly submits South Australian residential energy consumers deserve to have visibility of all costs recovered through regressive electricity bills, including the costs of the FERM which are currently concealed within TUOS charges.
- SACOSS is calling for the Draft Guideline to contain an introductory statement clearly outlining the objectives and the principles underpinning the performance of the AER's Contribution Determination functions, including:
    - The overarching objective of ensuring the long-term interests of consumers is achieved in accordance with the National Energy Objectives.
    - The principle under the FERM Regulations to act independently and in the long-term **financial** interests of SA consumers.[2]
    - The importance of transparency and accountability in achieving the long-term interests of consumers.
    - Acknowledging consumers ultimately bear all the costs of the FERM and the importance of ensuring residential energy consumers know what they are paying for and how much they are paying.
- SACOSS is calling on the AER's FERM team, Network Pricing team and DMO team to work together and ensure that FERM costs (Contribution Notices) are separately identified by ElectraNet in SAPN's Pricing Proposal and presented as a c/kWh or $/day amount for residential consumers in the SAPN Pricing Determination and SA DMO Determinations.

Contribution Determination transparency / accountability

As noted in the Draft Guideline, the (as yet, unknown) costs of the Scheme will be paid for by South Australian energy consumers,[3] with the majority recovered from residential consumers:[4]

> *'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 pass it on to consumers as part of retail tariffs in their*

[2] National Electricity (South Australia) (Firm Energy Reliability and Orderly Exit Management) Regulations 2025, Reg 14

[3] Australian Energy Regulator, FERM Scheme Regulator Guideline – Draft, 29 April 2026, p.5, 9

[4] SACOSS understands 90% of ElectraNet's costs are recovered through SAPN and 43% of transmission costs will be recovered from residential households through SAPN's tariffs in 2025/26, the largest proportion of TNSP revenue recovery across all customer segments. See, SACOSS, Submission to the department for Energy and Mining on the Firm Energy Reliability Mechanism: Stage 2 Consultation Paper, July 2025, p. 15.

electricity bills. ***As a result, South Australian consumers ultimately pay for costs associated with the FERM scheme****.'*

In our previous submissions we expressed our deep concerns about the cost recovery mechanism for the scheme which we submit is regressive, inequitable and will disproportionately impact low income / high usage households and renters already struggling to afford essential electricity services.

Notably, the AER's approval of SAPN's 2026-27 Pricing Proposal shows a $94.57 (10.8%) annual network cost increase in the bill for residential flat rate tariff households (assuming grid consumption of 4,420 kWh). The AER stated:[5]

*'The increase in revenue is predominantly due to increased transmission costs (****including costs related to the Firm Energy Reliability Mechanism****), actual inflation and the revenue path set in the applicable determination.'*

That said, there is no visibility of the actual costs of the FERM paid for by residential consumers in any of the pricing proposal documents. TUOS expenditure does not separately identify the costs of the FERM, and the FERM is not identified as a 'jurisdictional scheme'. [6] The following extract from SAPN's SCS 2026-27 Pricing Model Actuals Table shows clear line items for jurisdictional schemes, and one line item for TUOS expenditure, with no visibility of FERM costs (see Figure 1, below):[7]

Input table 10 | Expenditure	Source	Unit	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25
			1.00	2.00	3.00	4.00	5.00	6.00
TUOS expenditure	RIN	$millions	245.07	263.47	275.04	301.34	349.60	350.14
Avoided TUOS	RIN	$millions						
Cross-boundary expenditure	RIN	$millions						
	RIN							
Total DPPC expenditure	Calculation	$millions	245.07	263.47	275.04	301.34	349.60	350.145
FiT 2028	RIN	$millions	15.04	17.20	15.05	14.00	16.05	14.97
FiT 2028S	RIN	$millions	67.62	62.82	65.64	61.07	69.98	65.27
AGL Designated Services	RIN	$millions				6.50	6.50	5.20
Claims Scheme		$millions						0.07
Total JSA expenditure	Calculation	$millions	82.67	80.02	80.69	81.57	92.53	85.51

Figure 1: SAPN Pricing Proposal, Statement of Compliance, Actuals. SAPN:2026

SACOSS strongly submits South Australian residential energy consumers deserve to have visibility of all costs recovered through regressive electricity bills, including the costs of the FERM which are currently concealed within TUOS charges. Therefore, in response to the AER's DMO 8 Draft Determination consultation, we have called on the AER to provide a more granular analysis of NUOS than is identified in the Draft, including an apportionment

[5] AER, Statement of Reasons, SA Power Networks Pricing Proposal 2026-27, April 2026, p.1

[6] AER, Statement of Reasons, SA Power Networks Pricing Proposal 2026-27, April 2026. The Pricing Proposal shows a $55 annual increase in Transmission / Jurisdictional Scheme Charges, in circumstances where jurisdictional scheme charges have reduced, there is no separate accounting for TNSP costs or FERM costs within TNSP costs.

[7] SAPN Pricing Proposal, Statement of Compliance, Actuals, 31 March 2026

of costs ($/day and $/kWh) for DUOS, TUOS (separately identifying FERM costs), JSOs and metering costs identified through SAPN's Pricing Proposal.[8]

We strongly agree with the AER that transparency, clarity and accountability in decision-making is in the long-term interests of South Australian energy consumers.[9] As South Australian energy consumers are ultimately paying for the costs of the Scheme, it is imperative that they should have visibility of those costs.

We are calling for the Draft Guideline to contain an introductory statement clearly outlining the objectives and the principles underpinning the performance of the AER's Contribution Determination functions, including:

- the National Energy Objectives requiring the AER to perform its functions to achieve the long-term interests of consumers
- acknowledging (as the Draft does on pages 1, 5 and 9) that the costs of the FERM are ultimately borne by consumers
- the principle under the FERM Regulations to act independently and in the long-term financial interests of SA consumers
- highlighting the importance of ensuring transparency and accountability for consumers in making the Contribution Determination
- highlighting the importance of consumers understanding what they are paying for and how much they are paying.

We are also calling on the AER's FERM team, Network Pricing team and DMO team to work together and ensure that FERM costs are separately identified by ElectraNet in SAPN's Pricing Proposal and presented as a c/kWh or $/day amount for residential consumers in the SAPN Pricing Determination and SA DMO Determinations.

Having clarity of the costs on a price per day / unit basis is vital for transparency and to assess what consumers are paying for government policy priorities, and the distributional impact of those costs. This is increasingly important in circumstances where additional jurisdictional scheme costs are being added to residential customers' bills, and transmission costs are forecast to increase.

At the very least, SAPN's Annual Pricing Proposal should separately identify the FERM amount being recovered from residential consumers through SAPN. This is important given residential demand is not driving the 'load growth' story[10] which is underpinning the stated need for the FET and the FERM.[11] The beneficiaries of the Scheme will overwhelmingly be

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[8] SACOSS, Submission to the AER on the Default Market Offer prices 2026-27: Draft Determination, April 2026

[9] Australian Energy Regulator, FERM Scheme Regulator Guideline – Draft, 29 April 2026, p.9

[10] Energy Forecasting and Planning the Office of the OTR, South Australian Electricity Development Plan, 20 December 2024

[11] Department for Energy and Mining, *Firm Energy Reliability Mechanism: Stage 2 Consultation Paper*, dated 16 June 2025, p. 15

large industry and the South Australia Government, and visibility of the allocation of the costs of the Scheme between large industry and small customers will be central to understanding 'who benefits and who pays'.

More broadly, SACOSS remains strongly opposed to the costs of the Scheme being inequitably and regressively recovered from residential households through electricity bills (via network charges), based on energy consumption from the grid (resulting in cross-subsidies). SACOSS submits the FET and the FERM are not necessary to meet future (*declining*) South Australian *residential* delivered electricity grid demand,[12] and therefore the majority of the costs of the Scheme should not be borne by residential consumers.

Conclusion

Thank you for the opportunity to provide feedback in relation to the Draft FERM Scheme Regulator Guideline. We would welcome the opportunity to expand on any of our submissions through further engagement, if required. Please do not hesitate to contact Georgina Morris on [redacted], if you have any questions in relation to this submission or require any further information or clarification.

[12] AEMO, 2025 South Australian Electricity Report, November 2025, p. 25