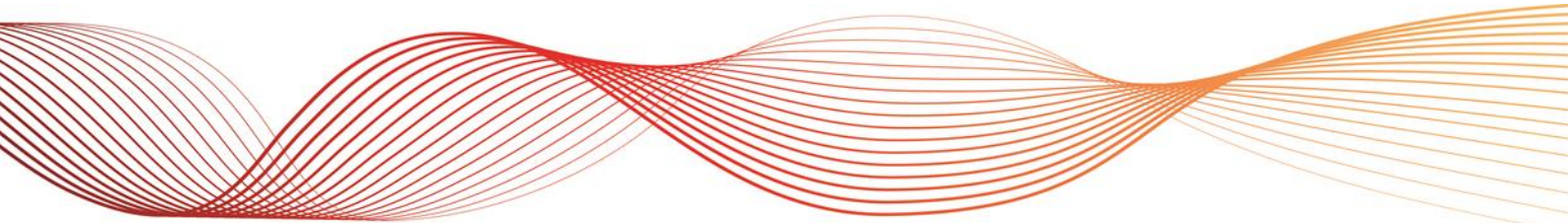




NSW/ ACT FULL RETAIL CONTESTABILITY GAS FINAL BUDGET AND FEES 2016-17

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EXECUTIVE SUMMARY

1.1 Introduction

AEMO operates on a cost recovery basis as a company limited by guarantee under the Corporations Act (2001). AEMO fully recovers its operating costs through fees paid by participants.

AEMO has a broad range of functions and each is underpinned by a fee structure developed in consultation with stakeholders and in line with national rule requirements. The fee structures detail how AEMO will calculate fees and who will be charged. The current participant fee structure for AEMO's gas markets is from 1 July 2015 to 30 June 2018.

AEMO's annual budget sets out the amounts that will be charged under these fee structures.

This reports provides a view of the 2016-17 NSW/ACT FRC gas revenue and expenses, and estimates for the following four-year period.

1.2 Key messages

A new market system which harmonised the NSW and ACT retail gas market systems with those operating in Victoria, Queensland and South Australia, went live on Monday 2 May 2016. As a result AEMO's services are now largely similar across all FRC gas markets.

The fee structure for the NSW/ACT Full Retail Contestability (FRC) gas function will change from 1 July 2016 in accordance with AEMO's Gas Market Fee Methodology published in March 2015. The methodology provided that from the financial year following the completion of the harmonisation project the fee would be based on a charge per customer supply point.

AEMO has applied strong commercial discipline to control costs, where possible, to reduce the impact of fee increases to market participants.

	Actual 2015-16	Budget 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21
FRC fee (\$ per customer supply point per month)	0.11586 ¹	0.16750	0.17039	0.16319	0.15866	0.15935
% change		+45%	+2%	-4%	-3%	+0%
Gas Statement of Opportunities (\$ per customer supply point per month)	0.02830	0.03198	0.03614	0.04084	0.04247	0.04417
% change		+13%	+13%	+13%	+4%	+4%
Energy Consumers Australia pass-through	0.03114	0.03183	TBC	TBC	TBC	TBC
% change		+2%				

¹ Indicative fee provided for comparison purposes only.

- The NSW/ ACT FRC gas fee is increased in 2016-17 as a result of costs associated with the gas harmonisation project. This increase is in line with the previous year's published estimate.
- The Gas Statement of opportunities fee increased in 2016-17 due to additional modelling work required for the National Gas Forecasting Report (NGFR). The extent of the increase is lower than the previous year's published estimate.



1.3 2016-17 Fees

Table 1 2016-17 fees

Function	Budget 2016-17	Current 2015-16	Change	Prior year published estimate 2016-17	Unit
NSW & ACT FRC Gas	0.16750	0.11586 ¹	↑ 45%	N/A	\$ per customer supply point per month
Gas Statement of Opportunities	0.03198	0.02830	↑ 13%	0.03255	\$ per customer supply point per month
ECA (Gas)	0.03183	0.03114	↑ 2%	N/A	\$ per customer supply point per month

¹ Indicative fee provided for comparison purposes only.

1.4 Contacts

For stakeholder questions regarding the contents of this report, please do not hesitate to contact:

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NSW/ ACT FULL RETAIL CONTESTABILITY GAS

2.1 Fees

AEMO's costs to provide this service have increased in 2016-17, as budgeted in 2015-16, as the gas hub upgrade and NSW/ACT retail gas harmonisation projects have been completed, which significantly increase depreciation costs to this function.

The 2016-17 total revenue to be recovered from participants is \$3M, which generates a 50% increase in revenue from the 2015-16 budget. The revenue estimate is in line with the estimate in the 2015-16 budget report.

Table 2 NSW/ACT FRC Gas projected fees

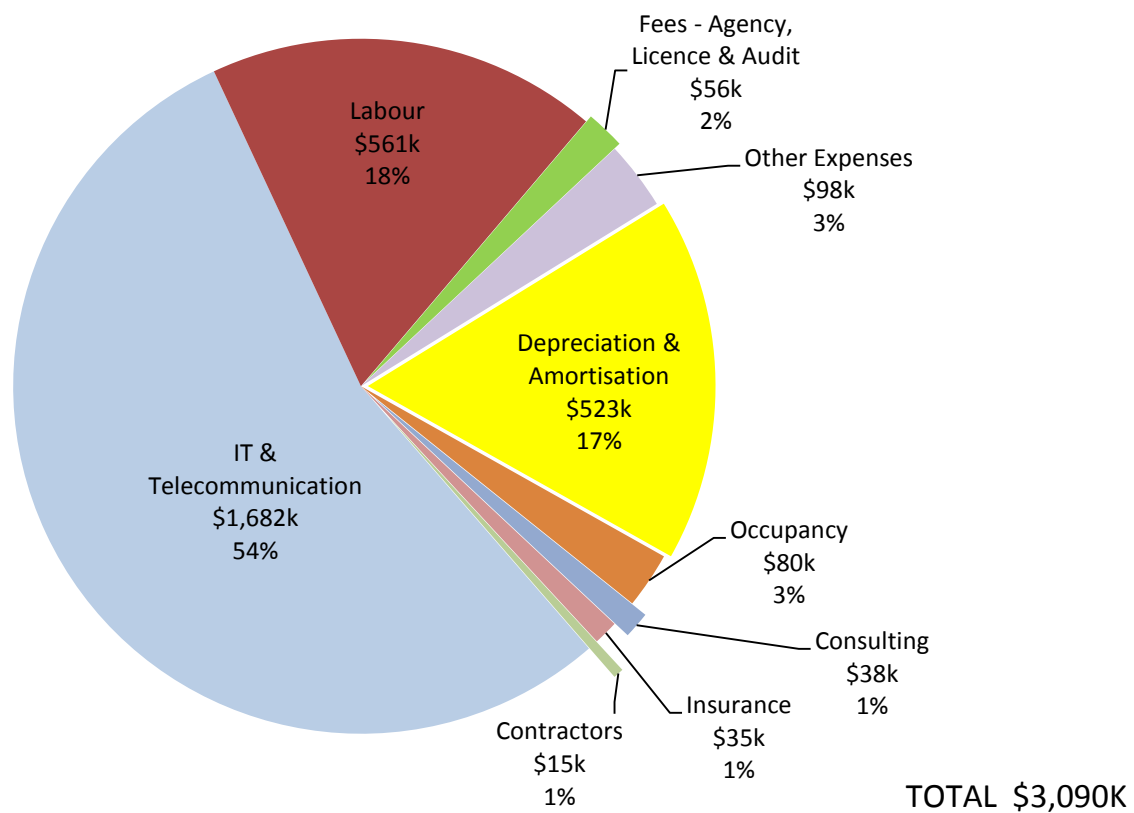
	Actual 2015-16	Budget 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21
FRC fee (\$ per customer supply point per month)	0.11586 ¹	0.16750 +45%	0.17039 +2%	0.16319 -4%	0.15866 -3%	0.15935 +0%

¹ Indicative fee provided for comparison purposes only.

2.2 Revenue and Expenditure

The expenditure is detailed below in Figure 1 by expenditure category

Figure 1 Expenditure by category 2016-17



**Table 3 Profit and Loss statement 2016-17 and comparison**

	Budget	Forecast	Budget	Variance to Budget	
	2015-16 \$'000	2015-16 \$'000	2016-17 \$'000	\$'000	%
Fees and tariffs	2,000	2,000	3,000	1,000	+50%
Other Revenue	31	21	12	(19)	-62%
Total Revenue	2,031	2,021	3,012	981	+48%
Labour	573	827	561	(12)	-2%
Contractors	2	23	15	13	+826%
Consulting	19	16	38	19	+96%
Fees - Agency, Licence & Audit	70	70	56	(14)	-20%
IT & Telecommunication	1,512	1,407	1,682	170	+11%
Occupancy	34	36	80	47	+138%
Insurance	16	16	35	20	+127%
Other Expenses	50	53	98	49	+98%
Depreciation & Amortisation	112	189	523	411	+366%
Total Expenditure	2,387	2,638	3,090	703	+29%
Surplus/(Deficit)	(355)	(617)	(78)	278	
Brought Forward Surplus/(Deficit)	724	828	210	(514)	
Accumulated Surplus/(Deficit)	369	210	133		

Key Points:

- Revenue for 2016-17 is estimated to be \$1.0M (48%) higher than the 2015-16 budget mainly due to increase in revenue requirement.
- Expenditure for 2016-17 is estimated to be \$0.7M (29%) higher than 2015-16 budget. This is mainly due to:
 - **IT & Telecommunication costs (+\$0.2M)**
IT & telecommunication costs are budgeted to increase in 2016-17, mainly due to higher IT hosting service costs as a result of the gas harmonisation project.
 - **Depreciation and Amortisation costs (+\$0.4M)**
Depreciation and amortisation costs are budgeted to increase in 2016-17, due to the NSW/ACT retail gas harmonisation project which went live on 2 May 2016.



GAS STATEMENT OF OPPORTUNITIES

3.1 Fees

Gas Statement of Opportunities (GSOO) costs are recovered via charges to retailers in AEMO's Full Retail Contestability (FRC) gas markets on a fee per meter basis.

Costs for this function have increased due to additional modelling work required for the National Gas Forecasting Report (NGFR).

The 2016-17 fee is lower than the fee estimated as part of the 2015-16 budget process.

Table 4 Gas SOO projected fees

Fee	Actual 2015-16	Budget 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21
Gas Statement of Opportunities	0.02830	0.03198	0.03614	0.04084	0.04247	0.04417
(\$ per customer supply point per month)		+13%	+13%	+13%	+4%	+4%



ENERGY CONSUMERS AUSTRALIA

In May 2014, the Council of Australian Governments (COAG) Energy Council approved establishment of Energy Consumers Australia (ECA) to promote the long term interests of energy consumers, in particular residential and small business customers.

AEMO is required to recover the funding for the ECA from market participants. This ECA fee has replaced the Consumer Advocacy Panel (CAP) fee.

The ECA start date was 30 January 2015.

Table 5 reflects the fees to be collected for 2016-17.

Table 5 ECA projected fees

ECA Fees	Actual 2015-16	Budget 2016-17
Gas (\$ / customer supply point per month)	0.03114	0.03183
	+4%	+2%



LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
ACT	Australian Capital Territory
AEMO	Australian Energy Market Operator
COAG	Council of Australian Governments
ECA	Energy Consumers Australia
FRC	Full Retail Contestability
GSOO	Gas Statement of Opportunities
NA	not applicable
NSW	New South Wales
TBC	to be confirmed

Note – all amounts quoted in this document are nominal dollars unless otherwise stated and all amounts are exclusive of GST.