



# SOUTH AUSTRALIA 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.

The 2016-17 South Australia (SA) Full Retail Contestability (FRC) gas budget provides a view of the 2016-17 SA gas revenue and expenses, and estimates for the following four-year period.

## 1.2 Key messages

In budgeting for 2016-17, AEMO has applied strong commercial discipline to control costs, where possible, to reduce the impact of fee increases to market participants. As a result, minimal fee increases for participants have been achieved.

- SA FRC gas fee decreased in 2016-17 as a result of lower operating costs.
- Gas Statement of opportunities fee increased in 2016-17 due to additional work on the National Gas Forecasting Report (NGFR). This new fee is lower compared to prior year published estimate.

	Actual 2013-14	Actual 2014-15	Actual 2015-16	Budget 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21
FRC fee (\$ per customer supply point)	0.30424	0.30728	0.29207	0.25994	0.23135	0.20590	0.21414	0.22271
% change	+4%	+1%	-5%	-11%	-11%	-11%	+4%	+4%
Gas Statement of Opportunities (\$ per customer supply point per month)	0.02790	0.02830	0.02830	0.03198	0.03614	0.04084	0.04247	0.04417
% change	-21%	1%	+0%	+13%	+13%	+13%	+4%	+4%
Energy Consumers Australia pass-through (\$ per customer supply point per month)	NA	0.02998	0.03114	0.03183	TBC	TBC	TBC	TBC



### 1.3 2016-17 Fees

**Table 1 Key fees**

Function	Budget 2016-17	Current 2015-16	Change	Prior year published estimate 2016-17	Unit
SA FRC Gas	0.25994	0.29207	-11%	0.2804	\$ 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

### 1.4 Contacts

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

<p>Mr Jack Fitcher                  Chief Financial Officer                  Australian Energy Market Operator                  Level 22, 530 Collins St                  Melbourne Vic 3000                  Phone: 03 9609 8506                  Email: <a href="mailto:Jack.Fitcher@aemo.com.au">Jack.Fitcher@aemo.com.au</a></p>	<p>Ms Sandra Chui                  Group Manager, Commercial Services                  Australian Energy Market Operator                  Level 22, 530 Collins St                  Melbourne Vic 3000                  Phone: 03 9609 8623                  Email: <a href="mailto:Sandra.Chui@aemo.com.au">Sandra.Chui@aemo.com.au</a></p>
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# SOUTH AUSTRALIA FRC GAS

## 1.5 Fees

The South Australia FRC fee will reduce by 11% in 2016-17, and by a further 11% in the following two years due to an accumulated surplus from prior years in the function.

The fee is then expected to increase in the following years after the surplus is fully returned to achieve a break-even position.

Costs for this function have decreased by 14%, mainly due to lower labour resources allocated to this function.

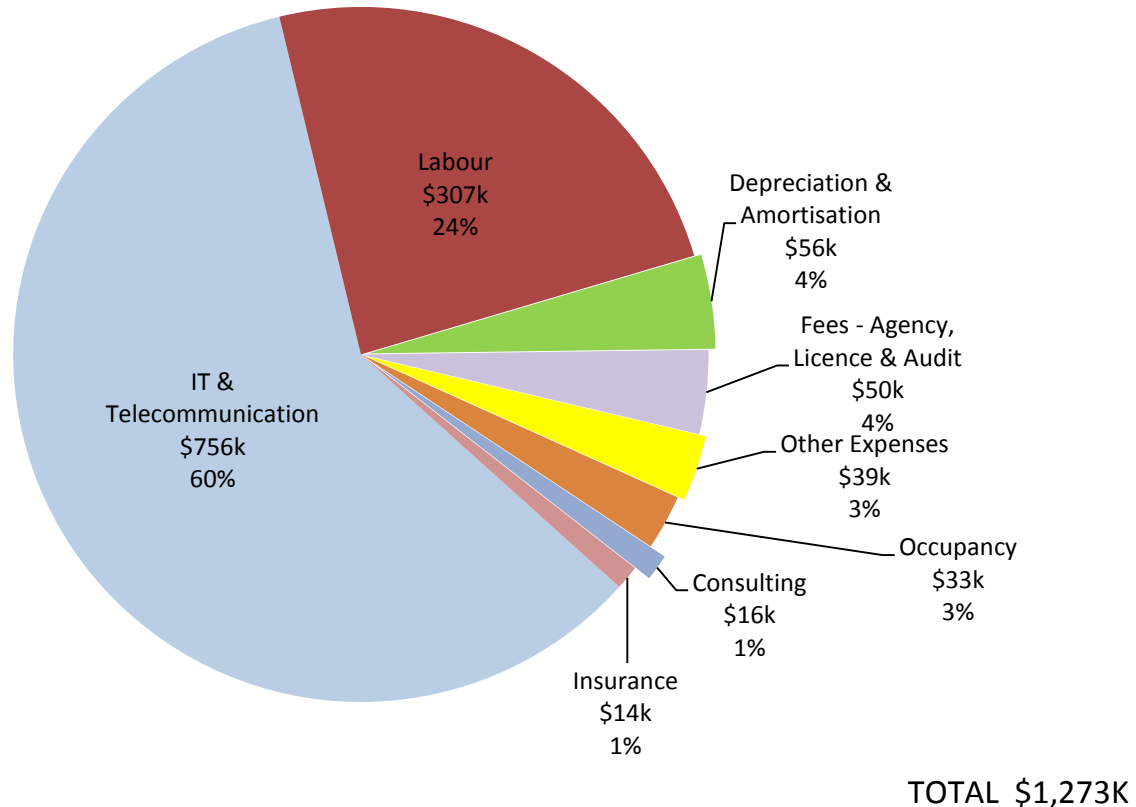
**Table 2 SA FRC Gas projected fees**

Fee	Actual 2015-16	Budget 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21
FRC Fee (\$ per MIRN per month)	0.29207	0.25994	0.23135	0.20590	0.21414	0.22271
	-5%	-11%	-11%	-11%	+4%	+4%
Initial Registration Fee (\$ per participant)	11,300	11,300	TBC	TBC	TBC	TBC

## 1.6 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	1,562	1,562	1,413	(149)	-10%
Other Revenue	4	6	1	(4)	+100%
<b>Total Revenue</b>	<b>1,566</b>	<b>1,568</b>	<b>1,414</b>	<b>(152)</b>	<b>-10%</b>
Labour	476	465	307	(169)	-36%
Contractors	2	10	3	1	+51%
Consulting	25	20	16	(9)	-37%
Fees - Agency, Licence & Audit	84	84	50	(34)	-41%
IT & Telecommunication	706	696	756	50	+7%
Occupancy	43	43	33	(10)	-24%
Insurance	20	20	14	(5)	-28%
Other Expenses	54	52	39	(15)	-28%
Depreciation & Amortisation	68	68	56	(13)	-19%
<b>Total Expenditure</b>	<b>1,478</b>	<b>1,458</b>	<b>1,273</b>	<b>(205)</b>	<b>-14%</b>
Surplus/(Deficit)	88	110	141	53	
Brought Forward Surplus/(Deficit)	272	100	210	(63)	
<b>Accumulated Surplus/(Deficit)</b>	<b>361</b>	<b>210</b>	<b>351</b>		

**Key Points:**

- Revenue for 2016-17 is estimated to be \$0.2M (10%) lower than the 2015-16 budget.
- Expenditure for 2016-17 is estimated to be \$0.2M (14%) lower than 2015-16 budget. This is mainly due to:
  - **Labour costs (-\$0.2M)**  
Labour costs budgeted to increase in 2016-17 due to lower resources allocated to this function.
  - **Fees – Agency, Licence & Audit (-\$0.03M)**  
Fees – Agency, Licence & Audit costs are budgeted to decrease in 2016-17 due to lower market audit costs.
  - **IT and Telecommunication (+\$0.05M)**  
IT Telecommunication costs are budgeted to increase in 2016-17 due higher support contract costs.



# GAS STATEMENT OF OPPORTUNITIES

## 1.7 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.

The below table 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 +4%	0.03183 +2%





## LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
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
SA	South Australia
TBC	to be confirmed

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