



DWGM and Victorian Gas FRC Final budget and Fees 2018-19

June 2018

Australian Energy Market Operator Limited

Executive Summary

Introduction

AEMO operates on a cost recovery basis as a company limited by guarantee under the Corporations Act (2001). AEMO recovers all 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 the national rule requirements. The fee structures detail how AEMO will calculate fees and who will be charged. AEMO's annual budget sets out the amounts that will be charged under these fee structures.

This report provides a view of the final 2018-19 DWGM and Victorian Gas FRC fees, revenue and expenses, and fee estimates for the following four-year period.

The key points of the 2018-19 final budget are:

- Lower fees achieved in 2018-19 for DWGM and Victorian Gas FRC compared to 2017-18 fees..
- AEMO will continue to manage our costs prudently to reduce the impact of fee increases to market participants, and we will identify further opportunities for efficiencies.

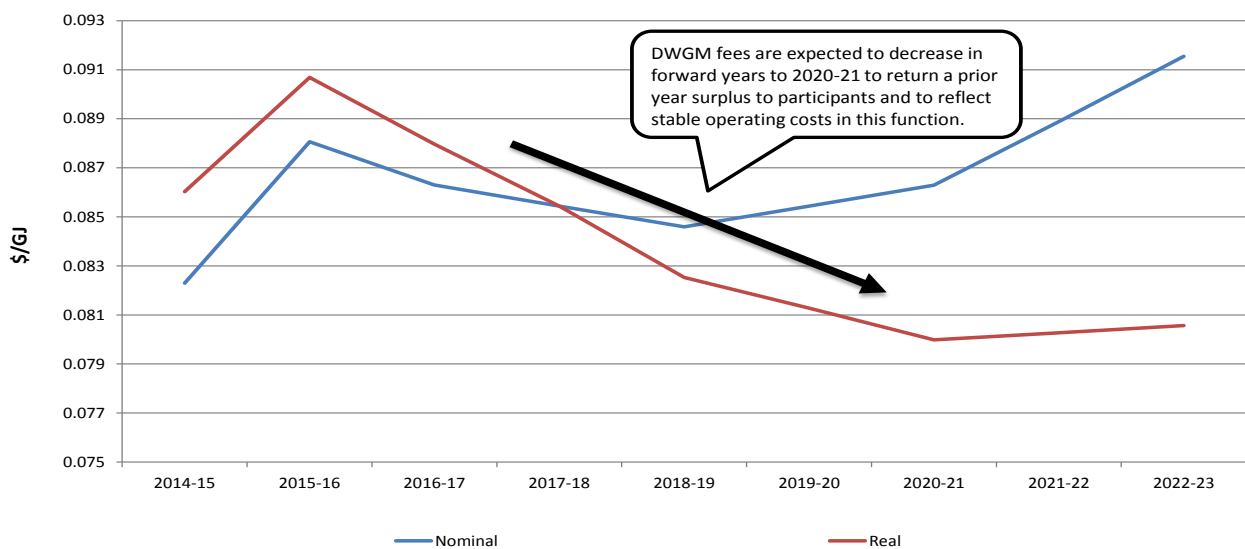
Energy **Security**,
Reliability and
Affordability for all
Australians.

1.1 Summary of Fees

Table 1 Summary of Fees

Fee	Actual 2017-18	Budget 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
DWGM - Energy Tariff	0.08544	0.08459	0.08544	0.08629	0.08888	0.09155
% change	-1%	-1%	+1%	+1%	+3%	+3%
FRC Gas Tariff	0.08305	0.06893	0.06342	0.05835	0.0601	0.0619
% change	-15%	-17%	-8%	-8%	+3%	+3%

Figure 1 DWGM projected fees



Real values are the nominal amounts adjusted for inflation. Prices have been calculated relatively to the 2017-18 price.

1.2 Contact for inquiries

AEMO contact for inquiries

For all queries on budget and fees, please contact:

Ms Sandra Chui
Group Manager Finance and Procurement
(03) 9609 8623
Sandra.chui@aemo.com.au

Contents

Executive Summary	2
1.1 Summary of Fees	2
1.2 Contact for inquiries	3
2. Victorian Declared Wholesale Gas market (DWGM)	6
2.1 DWGM Fees	6
2.2 DWGM Energy Consumption	7
2.3 Revenue and Expenditure	8
2.4 PCF fees	10
3. Victorian Full Retail Contestability (FRC) Gas	11
3.1 Fees	11
3.2 Revenue and Expenditure	12
4. Eastern and South Eastern Gas Statement of Opportunities (GSOO)	13
4.1 Fees	13
5. Energy Consumers Australia (ECA)	14
6. Gas Bulletin Board (GBB)	15
Appendix A. DWGM Fee Structure	16
List of Abbreviations	17

Tables

Table 1 Summary of Fees	2
Table 2 DWGM projected fees	6
Table 3 DWGM energy consumption	7
Table 4 Profit and Loss statement 2018-19 and comparison - DWGM	9
Table 5 Victorian FRC gas projected fee	11
Table 6 Profit and Loss statement 2018-19 and comparison – Victorian FRC gas	12
Table 7 GSOO projected fee	13
Table 8 ECA projected fee	14
Table 9 Projected GBB fees	15
Table 10 Projected GBB costs to be recovered	15
Table 11 DWGM fee structure	16

Figures

Figure 1 DWGM projected fees	2
Figure 2 DWGM projected fees	7
Figure 3 DWGM energy consumption	8
Figure 4 Expenditure by category 2018-19	8
Figure 5 Victorian FRC gas projected fee	11
Figure 6 Expenditure by category 2018-19	12

2. Victorian Declared Wholesale Gas market (DWGM)

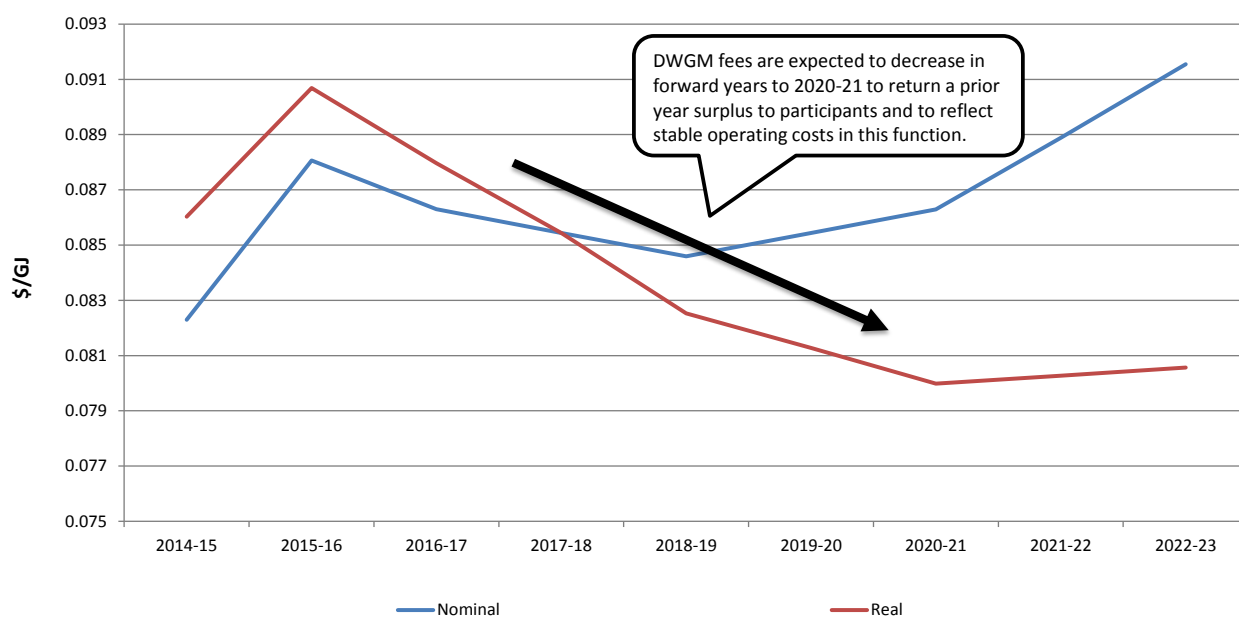
2.1 DWGM Fees

Purpose of this function	<p>To enable competitive dynamic trading based on injections and withdrawals from the transmission system that links producers, major users and retailers.</p> <p>This market provides the following broad services:</p> <ul style="list-style-type: none"> • Gas system security, market operations and systems. • Gas system reliability and planning. • Wholesale metering and settlements. • Prudential management.
Fees	<p>Energy tariff</p> <p>The current energy tariff is \$0.08544/GJ.</p> <p>This fee will decrease to \$0.08459/GJ or -1% in 2018-19 mainly due to carried forward surpluses as a result of higher than expected energy consumption revenues to return to participants.</p> <p>Distribution meter fee</p> <p>The distribution meter fee is paid by each market participant who is connected to a Declared Distribution System, or whose customers are connected to a Declared Distribution System, at a connection point at which there is an interval metering installation.</p> <p>The distribution meter fee relates to metering data services and is expected to increase to \$1.485/per meter daily in 2018-19 due to no carried forward surplus to be applied that lowered the fee in 2017-18.</p> <p>Participant Compensation Fund</p> <p>The Participant Compensation Fund fee is not required to be charged in 2018-19 as the current level of DWGM PCF funds being held meets the Rules requirement. Estimates of future PCF fees are not provided as they are mainly impacted by future items that may arise from time to time.</p>

Table 2 DWGM projected fees

Fee	Actual 2017-18	Budget 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
Energy Tariff (\$/GJ)	0.08544 -1%	0.08459 -1%	0.08544 +1%	0.08629 +1%	0.08888 +3%	0.09155 +3%
GBB Component		0.00250	TBC	TBC	TBC	TBC
Total (\$/GJ withdrawn)		0.08709	TBC	TBC	TBC	TBC
Distribution Meter (\$/day per meter)	1.16350 -15%	1.48584 +28%	1.38950 -6%	1.42329766 +2%	1.465925865 +3%	1.505717217 +3%
PCF Fee (\$/GJ)	0	0	TBC	TBC	TBC	TBC

Figure 2 DWGM projected fees



Real values are the nominal amounts adjusted for inflation. Prices have been calculated relative to the 2017-18 price.

2.2 DWGM Energy Consumption

The budgeted consumption for 2018-19 and forward years is based on data estimates used in the September 2017 Gas Statement of Opportunities. Consumption in DWGM is forecast to fall from 2018-19 as the recent increase in GPG is offset by growth in renewable (wind and solar) generation sources. Residential consumption is also forecast to decline slightly due to energy efficiency and shift to electricity usage.

AEMO DWGM fee methodology levies fees on a \$ per GJ withdrawn. An energy consumption forecast is factored into the calculation of the AEMO fees.

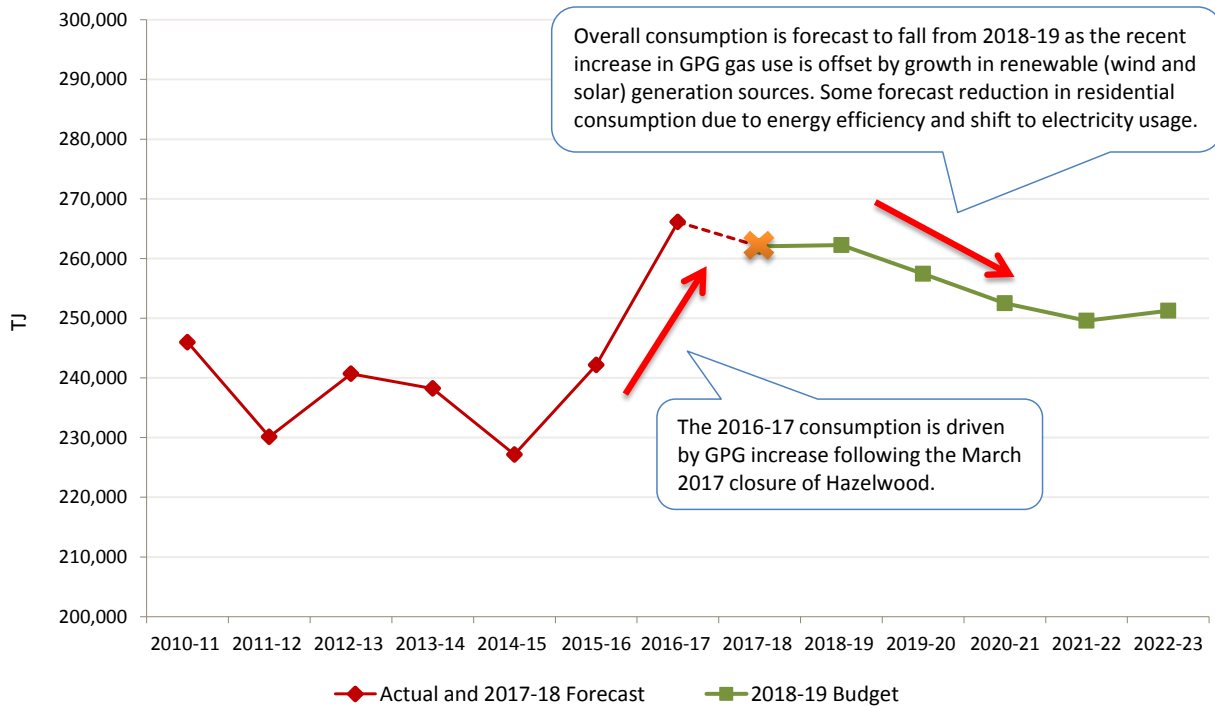
Table 3 DWGM energy consumption

TJs	Budget 2017-18	Forecast ¹ 2017-18	Budget 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
Domestic	127,045	129,338	129,287	129,344	129,136	128,720	128,346
Industrial	68,355	68,092	68,220	67,917	67,947	67,028	66,712
Export	58,660	49,692	47,825	47,825	47,825	47,825	47,825
GPG	4,857	14,911	16,906	12,348	7,597	5,991	8,360
TOTAL	258,917	262,032	262,238	257,434	252,504	249,563	251,243
		+1.2%	+1.3%	-1.8%	-1.9%	-1.2%	+0.7%

¹ Forecast annual 2018-19 consumption as at April 2018.

Error! Reference source not found. below demonstrates the forecast energy consumption used to calculate the DWGM fee.

Figure 3 DWGM energy consumption



2.3 Revenue and Expenditure

The expenditure is detailed below in Figure 4 by expenditure category

Figure 4 Expenditure by category 2018-19

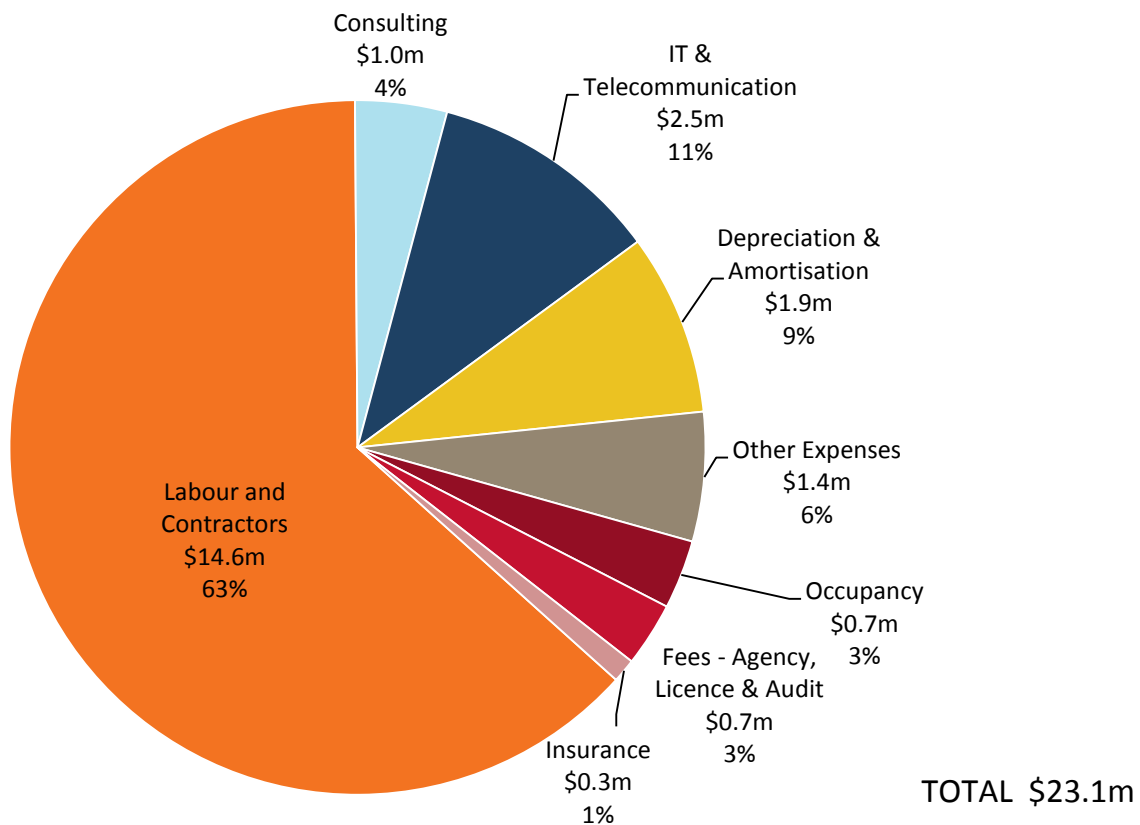


Table 4 Profit and Loss statement 2018-19 and comparison - DWGM

	Budget	Budget	Variance	
	2017-18 \$'000	2018-19 \$'000	\$'000	%
Fees and tariffs	22,707	22,889	182	+1%
Other Revenue	528	407	(120)	-23%
Total Revenue	23,235	23,297	62	+0%
Labour and Contractors	15,726	14,574	(1,152)	-7%
Consulting	986	983	(2)	-0%
Fees - Agency, Licence & Audit	684	688	4	+1%
IT & Telecommunication	2,258	2,479	220	+10%
Occupancy	910	740	(171)	-19%
Insurance	324	254	(70)	-22%
Other Expenses	1,305	1,387	82	+6%
Depreciation & Amortisation	1,239	1,947	709	+57%
Total Expenditure	23,433	23,053	(380)	-2%
Surplus/(Deficit)	(198)	244	442	
Transfer to PCF	(91)	(82)	9	
Brought Forward Surplus/(Deficit)	11,815	13,273	1,458	
Accumulated Surplus/(Deficit)	11,526	13,435		
Contributed Capital	8,704	8,704		
Accumulated Surplus/ (Deficit) excluding Contributed Capital	2,823	4,731		

Key points to 2018-19 profit and loss

Revenue

Other revenue is lower mainly due to lower interest income is expected as a result of low interest rate projection.

Expenditure

- Labour and contractor costs are lower in 2018-19 mainly due to increased internal capitalised labour as a result of greater mix of resources dedicated to capital program in 2018-19 such as the gas market reform - pipeline capacity trading project.
- Depreciation and amortisation are higher in 2018-19 as a result of increased in capitalisation projects.

2.4 PCF fees

The National Gas Rules require AEMO to maintain a separate Participant Compensation Fund (PCF) to pay compensation to Market Participants where the dispute resolution panel has upheld a complaint.

The funding requirement for the PCF for each financial year is the lesser of:

- (1) \$500,000; and
- (2) \$1,000,000 minus the amount which AEMO reasonably estimates will be the balance of the PCF at the end of the relevant financial year.

It is estimated that the balance of the PCF at 30 June 2018 will be approximately \$3.6M and therefore the funding requirement for 2018-19 is nil.

3. Victorian Full Retail Contestability (FRC) Gas

3.1 Fees

Purpose of this function The purpose of the FRC gas markets is to provide the services and infrastructure to allow gas consumers to choose their retailer while also providing the business to business interactions to support efficient operation of the market.

The following broad services are provided:

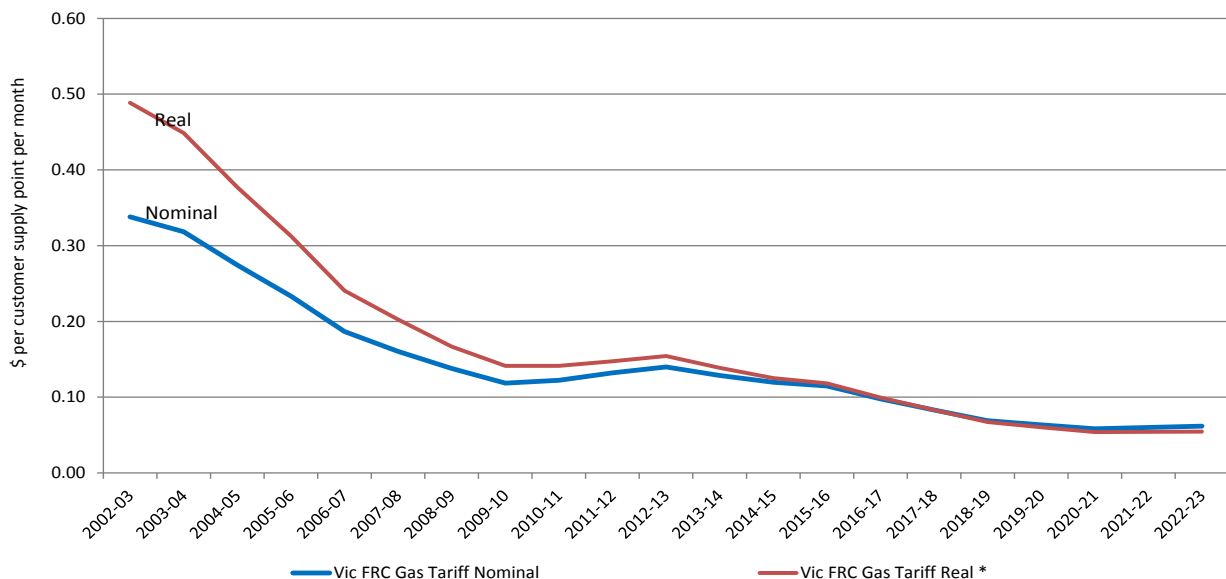
- Support retail market functions and customer transfers
- Manage data for settlement purposes
- Implement market procedure changes
- Operate the central IT systems that facilitate retail market services.

Fees The current Victorian FRC Gas fee is \$0.08305 per customer supply point/month. This fee will decrease to \$0.06893 or by -17% in 2018-19 and in future years due to a carried forward surplus from prior years to be returned to participants. The operating costs are stable in this function.

Table 5 Victorian FRC gas projected fee

Fee	Actual 2017-18	Budget 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
FRC Gas Tariff (\$ per customer supply point per month)	0.08305	0.06893	0.06342	0.05835	0.06010	0.06190
	-15%	-17%	-8%	-8%	+3%	+3%
Initial Registration Fee (\$ per participant)	5,760	5,760	TBC	TBC	TBC	TBC
	+0%	+0%				

Figure 5 Victorian FRC gas projected fee



Real values are the nominal amounts adjusted for inflation. Prices have been calculated relative to the 2017-18 price.

3.2 Revenue and Expenditure

The expenditure is detailed below in Figure 6 by expenditure category

Figure 6 Expenditure by category 2018-19

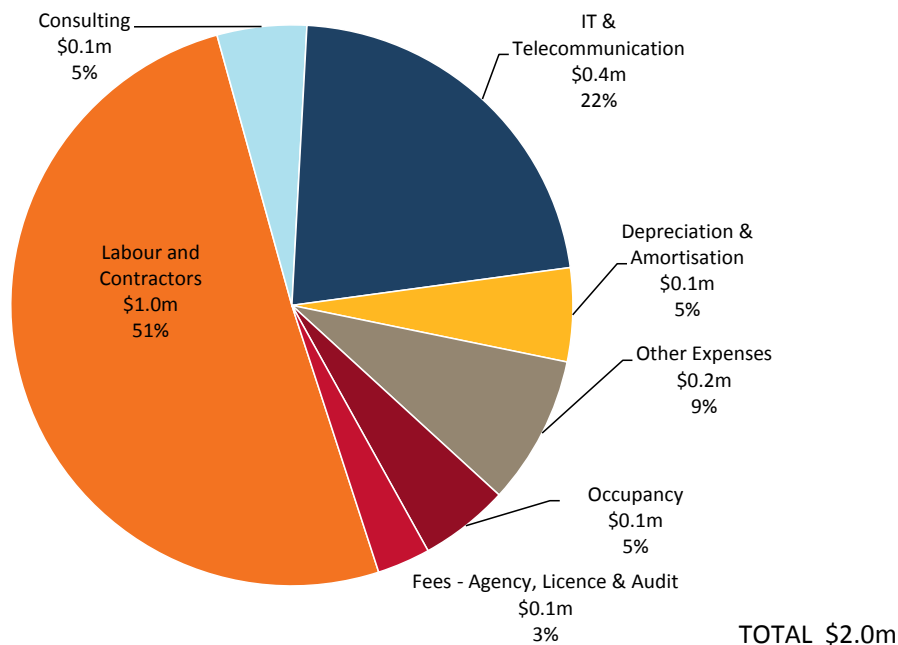


Table 6 Profit and Loss statement 2018-19 and comparison – Victorian FRC gas

	Budget	Budget	Variance	
	2017-18 \$'000	2018-19 \$'000	\$'000	%
Fees and tariffs	2,081	1,760	(321)	-15%
Other Revenue	46	23	(24)	-51%
Total Revenue	2,128	1,783	(344)	-16%
Labour and Contractors	1,001	980	(21)	-2%
Consulting	94	100	5	+6%
Fees - Agency, Licence & Audit	63	59	(4)	-6%
IT & Telecommunication	405	425	20	+5%
Occupancy	122	99	(22)	-18%
Insurance	43	34	(9)	-21%
Other Expenses	158	166	8	+5%
Depreciation & Amortisation	121	104	(16)	-14%
Total Expenditure	2,006	1,966	(39)	-2%
Surplus/(Deficit)	122	(183)	(305)	
Brought Forward Surplus/(Deficit)	2,162	2,230	68	
Accumulated Surplus/(Deficit)	2,284	2,047		

Key point for 2018-19 profit and loss

Revenue decrease to reflect a reduction in fee in 2018-19 financial year. Fee reduced to return prior year accumulated surplus.

4. Eastern and South Eastern Gas Statement of Opportunities (GSOO)

4.1 Fees

Purpose of this function The purpose of the GSOO is to report the supply adequacy of eastern and south-eastern Australian gas markets to meet energy needs. AEMO publishes reports on demand and supply, and delivery constraints projected for the next 20 years.

Retailers across the FRC gas market jurisdictions are currently charged for GSOO costs at a flat rate per customer supply point.

Fees The current GSOO fee is \$0.03518 per customer supply point/month.

This fee is proposed to increase to 0.03799 or by +8% in 2018-19 and in future years due to additional work on the National Gas Forecasting Report (NGFR) and uplift in long term forecasting capability and additional insight reports to stakeholders.

Table 7 GSOO projected fee

Fee	Actual 2017-18	Budget 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
Gas Statement of Opportunities (\$ per customer supply point per month)	0.03518	0.03799	0.04179	0.04597	0.04735	0.04877
	+10%	+8%	+10%	+10%	+3%	+3%

5. Energy Consumers Australia (ECA)

Purpose of this function	To promote long term interests of the energy customers, in particularly for residential customers and small business customers.
Fees	<p>AEMO is required to recover the funding for the ECA from market participants (i.e. pass through recovery). Total expenditure budgeted by the ECA to be recovered in 2018-19 is \$7.3m (+8% increase) (2017-18: \$6.8m).</p> <p>The gas ECA fee is \$0.03547 per customer supply point per month in 2018-19 (11% increase). This increase of 11% is higher than the 8% budgeted expenditure mainly due to an under recovery of costs from 2017-18.</p>
Other notes	<p>In November 2017 the Council of Australian Governments approved the ECA 2018-19 annual budget.</p> <p>For any questions on the ECA budget in 2018-19, contact Mohua Mukherjee, Director Governance and Operations at mohua.mukherjee@energyconsumersaustralia.com.au.</p>

Table 8 ECA projected fee

AEMO's ECA Fees	Actual 2017-18	Budget 2018-19
Gas (\$ / customer supply point per month)	0.03199 +1%	0.03547 +11%

6. Gas Bulletin Board (GBB)

Purpose of this function	<p>The Gas Bulletin Board (GBB) is a communications system that provides information relating to gas production, transmission, storage and usage for facilities that are connected to the east coast gas market.</p> <p>GBB provides market participants timely data to assist in decision making. This includes capacity outlooks, nominations and forecasts, actual flows, line pack adequacy, additional information for maintenance planning.</p>
Fees	<p>The current recovery costs for the GBB is \$1.4m.</p> <p>This fee is proposed to increase to \$2.0m or by +40% in 2018-19 mainly to reflect improvements to the Gas Bulletin Board project. This project will enhance the breadth and accuracy of information provided to the market.</p>
Other notes	<p>A review of the structure of all gas fees has recently been completed. As a result, from 1 July 2018, GBB fees will be levied as follows:</p> <ul style="list-style-type: none"> 50% to producers based on a flat rate (\$ per gigajoule) based on actual quantities of gas produced 50% to participants in wholesale gas markets based on a flat rate (\$ per gigajoule) for gas withdrawn from the Victorian Declared Transmission System or the STTM hubs.

Table 9 Projected GBB fees

Fee	Budget 2018-19 (\$'000)
Participants in Wholesale Gas Market (\$/GJ)	0.0025

Table 10 Projected GBB costs to be recovered

Fee	Actual 2017-18 (\$'000)	Budget 2018-19 (\$'000)	Estimate 2019-20 (\$'000)	Estimate 2020-21 (\$'000)	Estimate 2021-22 (\$'000)	Estimate 2022-23 (\$'000)
Gas Bulletin Board	1,429 -13%	1,997 +40%	2,196 +10%	2,416 +10%	2,126 -12%	1,871 -12%

Appendix A. DWGM Fee Structure

Table 11 DWGM fee structure

Fee	Who pays	How fee is applied
Energy tariff D	Each market participant who withdraws gas, or whose customers withdraw gas, from the Declared Transmission System for use at tariff D connection points.	A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn daily from the Declared Transmission System for use at tariff D connection points.
Energy tariff V	Each market participant who withdraws gas, or whose customers withdraw gas, from the Declared Transmission System for use at tariff V connection points.	A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn daily from the Declared Transmission System for use at tariff V connection points.
Distribution meter fee	Each market participant who is connected to a Declared Distribution System, or whose customers are connected to a Declared Distribution System, at a connection point at which there is an interval metering installation.	A flat rate (\$) for each connection point which is an interval metering installation.
Participant Compensation Fund	Each market participant who withdraws gas, or whose customers withdraw gas, from the Declared Transmission System.	A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from the Declared Transmission System.

List of Abbreviations

Term	Definition
AEMO	Australian Energy Market Operator
COAG	Council of Australian Governments
DWGM	Declared Whole Gas Market
ECA	Energy Consumer Australia
FRC	Full Retail Contestability
GBB	Gas Bulletin Board
GJ	Gigajoule
GPG	Gas Powered Generation
GSOO	Gas Statement of Opportunities
NA	Not applicable
PCF	Participant Compensation Fund
TBC	To be Confirmed