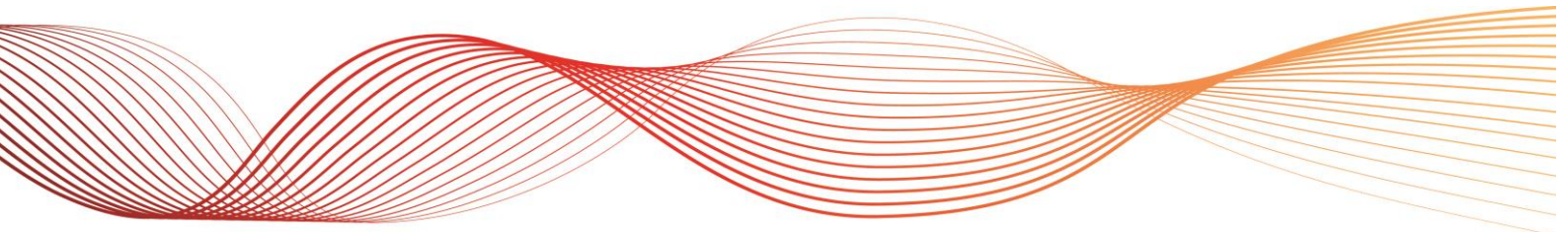


NSW/ACT FRC GAS FINAL BUDGET AND FEES: 2014-2015

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EXECUTIVE SUMMARY

1.1 Introduction

Following the release of the draft 2014-15 budget and fees in March 2014, the 2014-15 final New South Wales/ Australian Capital Territory Full Retail Contestability (FRC) gas markets budget provides a view of revenue and expenses along with the final fees for 2014-15 and estimates for the following four-year period.

AEMO's commitment is continuously drive cost efficiencies where possible.



Lower fee levels for 2014-15 have been achieved compared to prior year published 2014-15 estimates.

Table 1 Key points

<ul style="list-style-type: none"> <u>Reduction in Expenditure</u> 		2014-15 expenditure is budgeted to decrease compared to 2013-14.
<ul style="list-style-type: none"> <u>Lower fee levels</u> has been achieved compared to previous year estimate 		Fee level is lower compared to prior years published estimate.



1.2 2014-15 fees

Table 2 Key fees

Key Fees	Budget 2014-15	Prior year published estimate 2014-15	Change	Current 2013-14	Unit
NSW & ACT FRC Gas	2,000	2,500	 -20%	2,500	\$'000
Gas Statement of Opportunities	0.0283	0.03098	 -9%	0.02979	\$ per customer supply point/mth

1.3 Expenditure

Table 3 2014-15 budgeted expenditure compared to 2013-14

	Expenditure 2014-15 (\$M)	Expenditure 2013-14 (\$M)	Change
NSW & ACT FRC Gas	2,214	2,437	 -9%
Gas Statement of Opportunities	1,540	1,538	 0%



1.4 Contacts

For stakeholder questions regarding the contents of this report, please do not hesitate to contact AEMO's budget 2014-15 members:

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CHAPTER 1 - NSW FRC GAS

1.1 Fees

Unlike AEMO's other Full Retail Competition (FRC) gas markets, the NSW FRC market does not have a fee per meter charge. NSW FRC fees are predominantly charged on a market share basis and a meter churn basis.

AEMO's costs in providing this service have decreased slightly in 2014-15 and remain relatively stable in the forward years to 2018-19.

Table 4 NSW FRC Gas Projected Fees

	Actual 2013-14 (\$'000)	Budget 2014-15 (\$'000)	Estimate 2015-16 (\$'000)	Estimate 2016-17 (\$'000)	Estimate 2017-18 (\$'000)	Estimate 2018-19 (\$'000)
Total Participant Revenue	2500	2000	2000	2000	2400	2400
Total Expenditure	2,437	2,214	2,278	2,343	2,411	2,481
Gas Statement of Opportunities (total to be recovered from NSW FRC participants)	484	475	461	494	567	597
Gas Advocacy Panel pass-through (total to be recovered from NSW FRC participants)	310	186 ¹	TBC	TBC	TBC	TBC

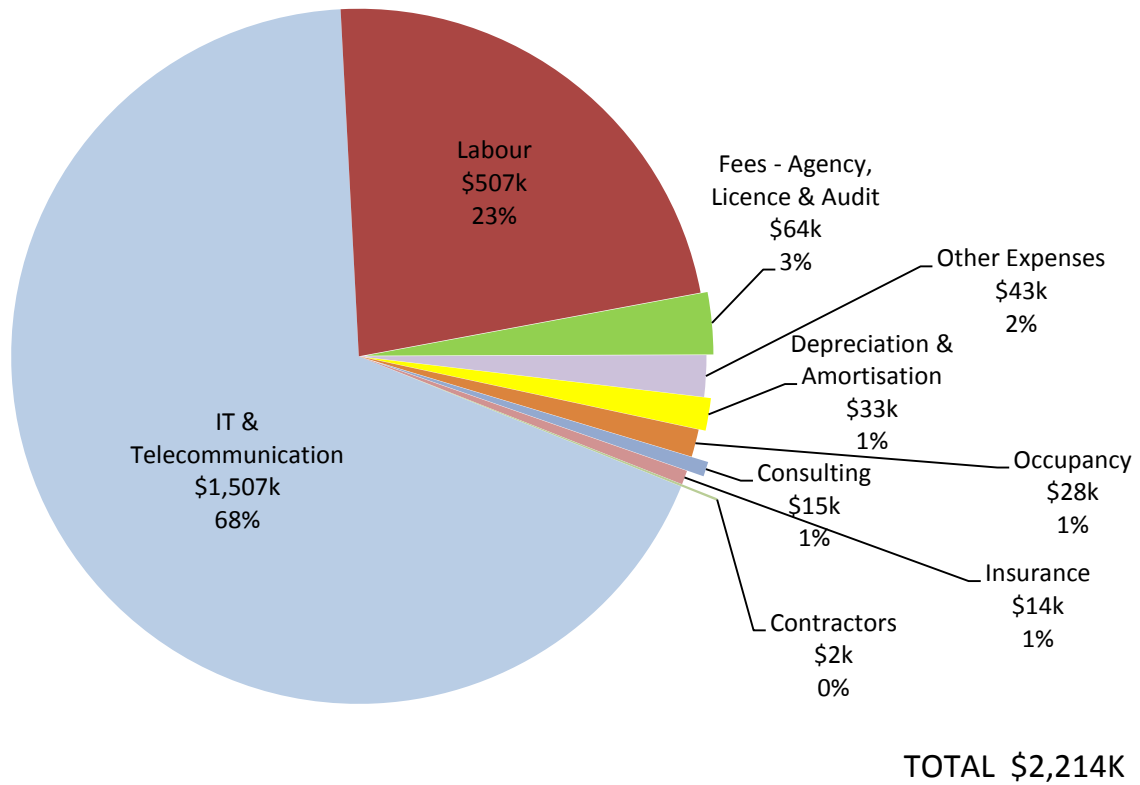
¹ This fee relates to the recovery of costs for gas Consumer Advocacy Panel. The costs and fees associated with the new body Energy Consumers Australia are yet to be finalised.



1.2 Revenue and Expenditure

The expenditure is detailed below in Figure 1 by expenditure category.

Figure 1 Expenditure by category 2014-15



**Table 5 Profit and Loss statement 2014-15 and comparison**

	Budget	Forecast	Budget	Variance to Budget	
	2013-14 \$'000	2013-14 \$'000	2014-15 \$'000	\$'000	%
Fees and tariffs	2,500	2,500	2,000	(500)	-20%
Other Revenue	13	21	12	(1)	-8%
Total Revenue	2,513	2,521	2,012	(501)	-20%
Labour	697	502	507	(190)	-27%
Contractors	5	2	2	(3)	-55%
Consulting	19	12	15	(3)	-18%
Fees - Agency, Licence & Audit	60	59	64	4	+7%
IT & Telecommunication	1,485	1,428	1,507	22	+1%
Occupancy	42	24	28	(13)	-32%
Insurance	22	13	14	(7)	-34%
Other Expenses	71	49	43	(28)	-40%
Depreciation & Amortisation	38	27	33	(5)	-12%
Total Expenditure	2,438	2,117	2,214	(224)	-9%
Surplus/(Deficit)	75	404	(202)	(277)	
Brought Forward Surplus/(Deficit)	254	479	883	629	
Accumulated Surplus/(Deficit)	329	883	681		



CHAPTER 2 - GAS STATEMENT OF OPPORTUNITIES

2.1 Fees

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

A reduction in the fee is expected in 2014-15, mainly due to a forecast carry forward surplus from 2013-14, and also a reduction in operational costs for this function relating to labour and consultancies.

Table 6 Gas Statement of Opportunities Projected Fees

Fee	Actual 2013-14	Budget 2014-15	Estimate 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19
Gas Statement of Opportunities	0.02979	0.02830	0.02689	0.02823	0.02964	0.03112
(\$ per customer supply point per month)		-5%	-5%	+5%	+5%	+5%



CHAPTER 3 - ENERGY CONSUMERS AUSTRALIA / CONSUMER ADVOCACY PANEL RECOVERY

The Standing Council of Energy and Resources (SCER) has approved the establishment of the Energy Consumers Australia (ECA) by 1 July 2014, to provide a focus on national energy market matters of strategic importance for energy consumers, and residential and small business consumers in particular. AEMO is required to collect funds for the operation of the ECA, which will need to be incorporated into the participant fee process we operate with gas and electricity market stakeholders.

The funding arrangements for ECA are proposed to be similar to that of the existing Consumer Advocacy Panel (CAP) whose functions will be absorbed by the ECA, however fees will be collected on a per supply point basis for both gas and electricity (the CAP is currently recovered as a per MWh rate from electricity customers). AEMO is also expected to manage the over/under-recovery through its annual budget process.

SCER officials are progressing an ECA implementation plan, which will put in place the necessary provisions for AEMO to collect revenue on behalf of ECA. An update is provided on the SCER website: <https://scer.govspace.gov.au/files/2011/12/Energy-Consumers-Australia-Implementation-Plan-Synopsis.pdf>. A transitional funding arrangement is expected to be in place until 1 January 2015. From 1 January 2015, permanent funding is expected to be in place, and CAP functions to be absorbed by the ECA.

Table 7 reflects the CAP fees to be collected in gas for 2014-15 until further developments are made with the CAP being absorbed under ECA. The costs and fees associated with the ECA are yet to be finalised.

Table 7 Consumer Advocacy Panel requirements

CAP Fees	Budget 2014-15	Actual 2013-14
Gas (\$ per customer supply point per month)	0.01110	0.01910



LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
B2B	business-to-business
CAP	Consumer Advocacy Panel
FRC	Full Retail Contestability
GSOO	Gas Statement of Opportunities
MCE	Ministerial Council on Energy
NA	not applicable
NSW	New South Wales
ACT	Australian Capital Territory
TBC	to be confirmed

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