

Jemena Limited

Structure of AEMO Gas Market Reform Participant Fees

For the Capacity Trading Platform, the Day-ahead Auction and the Operational Transportation Service Code Panel

Public

20 November 2018



An appropriate citation for this paper is:

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1. OVERVIEW

Jemena owns and operates a diverse portfolio of energy and water transportation assets across the east coast of Australia. With more than \$10.5 billion worth of major utility infrastructure, we supply millions of households and businesses with essential services every day.

Jemena is committed to proactively implementing the key pipeline recommendations from the Gas Market Reform (**GMR**) Package and is supportive of the establishment of a liquid gas market on the east coast of Australia that contributes to better achieving the National Gas Objective (**NGO**).

Jemena welcomes the opportunity to provide this submission to the Australian Energy Market Operator's (**AEMO's**) consultation paper 'Gas Pipeline Capacity Trading and Day Ahead Auction 2019, Fee Structure' dated 25 October 2018 (**Consultation Paper**).

In summary, Jemena:

- Would like to see more detail on AEMO's estimated costs associated with its GMR services and the resulting charges for its proposed GMR services
- Supports the adoption by AEMO of the user-pays principle in determining the charges for its proposed GMR services and aligning the period of the proposed GMR fees to the existing gas fee expiration date.

Should you have any question relating to Jemena's submission please feel free to contact Jan Peric, General Manager Pipeline Markets, Jan.Peric@jemena.com.au.

2. JEMENA'S RESPONSE

2.1 STAKEHOLDERS WOULD BENEFIT FROM MORE INFORMATION ABOUT POTENTIAL COSTS AND FEES

As a general comment, in order to understand the impact of AEMO's proposed fee structures it would be helpful if AEMO provides detail about how the fees would be determined and what they may look like. This could include:

- an estimate of the total costs that it expects to incur in implementing the GMR;
- the specific tasks it needs to complete for each of its proposed GMR services;
- the basis of allocating any costs between its proposed services; and
- an estimate of the resulting fees based on AEMO's preferred charging approach.

Jemena would also like to understand how AEMO proposes to recover any cost recovery shortfall, or return any over recoupment of GMR costs, in covering its GMR costs in any one year. For example, will AEMO recover any shortfall from GMR services or gas services generally?

Without such information, it is hard for stakeholders to assess the impact and appropriateness of the proposed fee structures. Jemena requests that this information is provided *before* the fee structures are finalised as part of this consultation so that stakeholders can provide informed responses.

2.2 WE GENERALLY SUPPORT THE PROPOSED STRUCTURES, WITH SOME CAVEATS

In relation to AEMO's proposed GMR services, Jemena has the following comments on its proposed basis for charging to recover the costs incurred in implementing the GMR:

1. **Capacity Trading Platform (CTP) fee structure** – Jemena supports AEMO applying the well accepted user-pays principle in establishing its GMR fees, and where feasible, structuring its proposed GMR fees consistently with its existing gas fee structures. Consistent with these principles, Jemena agrees that the CTP fees should be paid for by the Trading Participants (that is, parties to the Exchange Agreement).
2. **Day Ahead Auction (DAA) fee structure** – likewise Jemena considers that users of AEMO's day ahead auction platform services, the purchasers of auction products, should pay DAA fees.
3. **Registration fees** – in principle, Jemena supports AEMO's proposal to charge new participants a registration fee for direct costs incurred by AEMO in registering participants. However, AEMO needs to provide information on the detailed tasks / activities required by AEMO to provide the registration services and the associated costs, including details of any costs allocated to the service and the rationale of that allocation. It would also be helpful in responding to the Consultation Paper if AEMO provides its resulting indicative charges.
4. **Period of fee structure** – Jemena considers that it is sensible for AEMO to only set the structure of the GMR fees to apply to 30 June 2021 when its fees for all gas functions (e.g. DWGM, STTM, Retail Gas) expire and then to align all gas functions fee structures to mature on the same date.
5. **OTS Code Panel** – the principle reason for establishing the OTS Code Panel is to establish standardised contracts for CTP and DAA across the industry which shippers are entitled to enter into with transport providers. The standard Operational Transfer Services Agreement (**OTSA**) must incorporate the standard terms in the Code. The OTSA Code Panel will consider proposals to amend the Code and make recommendations to the AER on any proposed amendments. Given that the OTS Code has been established

to facilitate shippers entering into transportation arrangements for CTP and DAA easily, Jemena considers that most of the costs of the panel should be recovered by shippers. Jemena also considers that a small application fee should be charged by AEMO to recover some of the Panel costs. This fee will encourage applicants to make considered and genuine requests for changes to the Code.