

Structure of Gas Participant Fees

September 2023

Draft Report and Determination





Important notice

Purpose

AEMO consults on its proposed fee structure for participant fees, exchange fees and auction fees in accordance with the standard consultative procedure under clause 135CA(3) of the National Gas Rules (Rules).

This document has effect only for the purposes set out in the Rules, and the Rules and the National Gas Law (Law) prevail over this document to the extent of any inconsistency.

This publication has been prepared by AEMO using information available at 27 September 2023.

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Version control

Version	Release date	Changes
#1	27 September 2023	

Executive summary

The publication of this Draft Report and Determination (Draft Report) commences the second stage of the Rules consultation process conducted by AEMO to determine the terms and fee structures to apply to gas Participant Fees, the Pipeline Capacity Trading (PCT) Exchange Fees and Auction Fees, and East Coast Gas System Reform Program fees from 1 July 2024.

The current structure for Participant Fees as well as PCT services (comprising Exchange Fees and Auction Fees) came into effect on 1 July 2021 and expire on 30 June 2024. The two sets of fee structures are being considered in parallel through this consultation process given the alignment in end dates, requirement to consult in accordance with the extended consultative procedure under the National Gas Rules (NGR), and several minor interdependencies.

Additionally, AEMO's exercise or performance of its new east coast gas system reliability and supply adequacy functions (East Coast Gas System (ECGS) Reform Program) was defined as a major gas project at the time of commencement of the *National Gas (South Australia) (East Coast Gas System) Amendment Act 2023* (Amendment Act), in accordance with clause 135CB of the Rules.¹ This allows AEMO to consult and determine a participant fee to recover the costs of the project until the next general determination of participant fees, and given the timing of commencement of the Amendment Act in April 2023 and the commencement of consultation on the fee structures for Participant Fees, and PCT Exchange Fees and Auction Fees, AEMO elected to combine the two consultations into one.

On 4 August 2023, AEMO published the Notice of First Stage Consultation and the Consultation Paper to determine the terms and fee structures to apply to gas participant fees, PCT Exchange Fees and Auction Fees, and East Coast Gas System Reform Program fees from 1 July 2024. Table 1 below outlines the scope of these fees.

Table 1 – Scope of Gas Participant Fee Structure consultation²

Fee Type	Scope
Gas Participant Fees	<ul style="list-style-type: none">• Declared Wholesale Gas Market (DWGM)• Short Term Trading Market (STTM)• Retail markets (VIC, NSW/ACT, QLD and SA)• Gas Bulletin Board (GBB)• Gas Statement of Opportunities (GSOO)• Energy Consumers Australia (ECA) Fees

¹ On 12 August 2022 Energy Ministers agreed to take a range of actions to support a more secure, resilient and flexible east coast gas market. The Energy Ministers Meeting Communique on this decision is available here: [Energy Ministers Meeting Communique - 12 August 2022.docx \(live.com\)](#)

² AEMO notes that fee structures for the Gas Supply Hub (GSH), Western Australia Full Retail Contestability (FRC) Gas Market and Western Australia Gas Services Information (GSI) are out of scope for this consultation.

Fee Type	Scope
Pipeline Capacity Trading Exchange Fees and Auction Fees	<ul style="list-style-type: none"> Capacity trading platform (CTP) Day-ahead auction (DAA) Registration fee (CTP and DAA) Operational Transportation Service (OTS) Code Panel
East Coast Gas System Reform Program Fees	<ul style="list-style-type: none"> New to be determined as part of this consultation

Stakeholder feedback

AEMO received five submissions from APA, APGA, APLNG, Shell Energy and Origin Energy to its Consultation Paper. Of the submissions received, the key matter for consultation that all five provided feedback to was on the ECGS Reform Program fee, where there were divergent views on whether the costs of the Reform Program should be recovered as a separate fee as per the current Gas Bulletin Board (GBB) fee structure (i.e. 50% from producers on a \$/GJ produced basis and 50% from wholesale gas market participants on a \$/GJ withdrawn basis) versus a separate fee fully recovered on a withdrawn (or consumption) basis from Part 27 relevant entities.³

One of the submissions also raised concerns on the cost allocation to producers for the existing Gas Statement of Opportunities (GSOO) and GBB fee structures, proposing these allocations should be lower.

No other concerns were raised on the remaining structures currently in place.

These submissions have been published on AEMO's website: [AEMO | Structure of Gas Participant Fees](#)

Key matters raised in submissions

Of the stakeholder submissions received, specific feedback was provided on the following key matters for consultation:

- Gas fee structure term – only APLNG provided a response to this, supporting the continuation of the existing fee structure term of three years with a three-year rolling period.
- GSOO fee – APLNG commented that the share of costs allocated to producers for this structure should be further reduced from its current 30% allocation.
- GBB fee – APLNG raised that the GBB should be allocated to a broader range of market participants with producers allocated no more than 30% of costs.
- ECGS Reform Program fee – all five submissions received provided feedback on the structure for a ECGS Reform Program fee. APA, APGA and Origin supported a Participant fee structure that applies the existing GBB fee structure to a separate ECGS Reform Program fee, while APLNG and Shell Energy supported a separate fee that levies costs on a withdrawal / consumption basis from Part 27 relevant entities.

No issues were expressed on other matters for consultation including the Registration fees, PCT fees, Retail Market or ECA fees.

Further detail on the key points made in each submission, with AEMO's responses to these submissions, can be found in Appendix A2.

³ The Amendment Act allows AEMO to recover costs for the ECGS functions from 'relevant entities' defined in NGL 91AF(8).

AEMO's draft determinations

Having regard to the National Gas Objective (NGO), and after consideration of stakeholder submissions and consistent with the fee structure principles, AEMO's Draft Report proposes the following approaches for the key matters under consultation as shown in Table 2.

Table 2 – Current vs Draft structure of Gas participant fees

	Current liable registered participants	Current Fee structure	Proposed liable registered participants	Proposed Draft Fee structure
DWGM				
Energy Tariff	Each Market Participant withdrawing gas from the Declared Transmission System.	\$ / GJ withdrawn	No change	No change
Distribution Meter Fee	Each Market Participant 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.	\$ / connection point with interval metering installation / day	No change	No change
Participant Compensation Fund (PCF)	Each Market Participant withdrawing gas from the Declared Transmission System.	\$ / GJ withdrawn	No change	No change
Initial registration fee	Each new DWGM market registered participant.	\$ / registration / registrable capacity	No change	No change
STTM				
Activity Fee	Each STTM Shipper and STTM User withdrawing gas at any hub.	\$ / GJ withdrawn	No change	No change
PCF	Each STTM Shipper and STTM User withdrawing gas at any hub.	\$ / GJ withdrawn / hub	No change	No change
Initial registration fee	Each new STTM market registered participant.	\$ / registration / registrable capacity	No change	No change
Retail				
VIC Gas Tariff	Each Victorian retail gas market participant participating in the registrable capacity of market participant – retailer.	\$ / customer supply point	No change	No change
VIC Gas initial registration fee	Each new Victorian retail gas market participant registering in the capacity of market participant – retailer or market participant – other.	\$ / registration / registrable capacity	No change	No change

	Current liable registered participants	Current Fee structure	Proposed liable registered participants	Proposed Draft Fee structure
QLD, SA, NSW & ACT Gas Tariff	Each retail gas market participant participating in the registrable capacity of retailer.	\$ / customer supply point (by jurisdiction)	No change	No change
QLD, SA, NSW & ACT Gas initial registration fee	Each new retail gas market participant registering in the registrable capacity of retailer or self-contracting user.	\$ / registration / registrable capacity	No change	No change
GSOO				
Producer fee	Each BB facility operator registered as the BB reporting entity for a BB production facility.	\$ / GJ produced (to allocate 30% of GSOO costs)	No change	No change
Retailer fee	Each retail gas market participant participating in the registrable capacity of market participant – retailer in Vic or retailer in NSW/ACT, Qld and SA.	\$ / customer supply point (to allocate 70% of GSOO costs)	No change	No change
GBB				
Producer fee	Each BB facility operator registered as the BB reporting entity for a BB production facility.	\$ / GJ produced (to allocate 50% of GBB costs)	No change	No change
Wholesale gas markets participant fee	Each Market Participant withdrawing gas in the DWGM or each STTM Shipper or STTM User withdrawing gas at any hub.	\$ / GJ withdrawn (to allocate 50% of GBB costs)	No change	No change
ECA				
Energy Consumers Australia (ECA) On-Charge	Each retail gas market participant participating in the registrable capacity of market participant – retailer in Victoria or retailer in NSW/ACT, Qld and SA.	\$ / customer supply point	No change	No change
PCT				
CTP other transportation fee	Each trading participant - buyer and seller.	\$ / GJ of traded transportation service (excluding compression service)	No change	No change
CTP compression fee	Each trading participant - buyer and seller.	\$ / GJ of traded compression service	No change	No change
CTP licence fee	Each trading participant - buyer and seller.	\$ / licence / annum	No change	No change

	Current liable registered participants	Current Fee structure	Proposed liable registered participants	Proposed Draft Fee structure
DAA other transportation fee	Each auction participant.	\$ / GJ of auction service (excluding compression auction service)	No change	No change
DAA compression fee	Each auction participant.	\$ / GJ of compression auction service	No change	No change
Registration fee	Each new participant, including: <ul style="list-style-type: none"> • Part 24 Facility operators; and • Day ahead - Auction participants. 	\$ / registration / registrable capacity	No change	No change
OTS Code Panel	Each trading participant.	\$ / GJ on CTP and DAA trades	No change	No change
ECGS Reform Program				
Producer fee	N / A	N / A	Each BB facility operator registered as the BB reporting entity for a BB production facility.	\$ / GJ produced (to allocate 30% of ECGS costs)
Retailer fee	N / A	N / A	Each retail gas market participant participating in the registrable capacity of market participant – retailer in Vic or retailer in NSW/ACT, Qld and SA.	\$ / customer supply point (to allocate 70% of ECGS costs)

AEMO notes that the draft fee structure proposed for the ECGS Reform Program fee in the above table is an additional option that has been included in this Draft Report for stakeholder feedback following AEMO's further consideration on the two options presented in the Consultation Paper. AEMO's assessment in section 3.7 has indicated that the option of a separate fee similar to the existing GSOO fee structure will enable costs of the ECGS Reform Program to be recovered from a broader participant base, that is from all east coast gas consumers, relative to Option 1, and does not require any procedural or system changes for participants or AEMO, from an information provision perspective, relative to Option 2. This subsequently results in the proposed option better aligning with the fee structure principles and NGO than Option 1 and 2.

Additionally, AEMO notes that GBB registration fees for the Bulletin Board (BB) participants⁴ have not been included in the table as per previous Gas Participant fee structure consultations. AEMO determined that these fees should not apply to BB participants due to the mandatory nature of providing information to the GBB, with an expanded set of participants required to provide information introduced through the National Gas Amendment (Market Transparency) Rule 2022 made on 30 June 2022⁵. This Rule was implemented on 15 March 2023.

⁴ BB reporting agent, BB reporting entity and BB shipper.

⁵ Making of the Rule by Minister Koutsantonis available on the AEMC's website at: [20220630_Gas_Market_Transparency_Rule.pdf \(aemc.gov.au\)](#)



Stakeholders are invited to submit written responses on AEMO's draft proposal for matters identified in this Draft Report by 5.00 pm (Australian Eastern Daylight Time [AEDT]) on **Friday 18 October 2023**, in accordance with the Notice of Second Stage of Consultation published with this paper.

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1 Consultation overview

The Australian Energy Market Operator Limited (AEMO) invites stakeholders to provide a submission on the fee structures to apply to gas participant fees, Pipeline Capacity Trading (PCT) Exchange Fees and Auction Fees, and East Coast Gas System (ECGS) Reform Program fees from 1 July 2024. Through this process AEMO seeks opportunities to improve fee structures and respond to emergent issues.

This consultation only applies to the structure of fees considered. The actual amount charged for each fee is determined on an annual basis via the AEMO budgeting process.

1.1 Key Information for the consultation

Purpose	To provide stakeholders with the opportunity to have input into the development of the structure of gas Participant fees													
Date applicable	To be determined in this consultation													
Gas functions covered in this consultation	<ul style="list-style-type: none"> • Declared Wholesale Gas Market • Short Term Trading Market • Retail markets (VIC, NSW/ACT, QLD, SA) • Gas Bulletin Board • Gas Statement of Opportunities • Energy Consumers Australia Fees • Pipeline Capacity Trading fees <ul style="list-style-type: none"> - Capacity trading platform - Day-ahead auction - Registration fees (CTP and DAA) - Operational Transportation Service Code Panel • East Coast Gas System Reform Program Fees 													
Timetable	<table border="1"> <thead> <tr> <th>Milestone</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Submission closing date for Consultation Paper</td> <td>Friday 25 August 2023</td> </tr> <tr> <td>Publication of Draft Report</td> <td>Wednesday 27 September 2023</td> </tr> <tr> <td>Submission closing date for Draft Report</td> <td>Wednesday 18 October 2023</td> </tr> <tr> <td>Publication of Final Report</td> <td>Wednesday 15 November 2023</td> </tr> <tr> <td>Fee structure commencement</td> <td>Monday 1 July 2024</td> </tr> </tbody> </table> <p>Subject to stakeholder feedback additional stages may be included as part of the consultation process.</p>		Milestone	Date	Submission closing date for Consultation Paper	Friday 25 August 2023	Publication of Draft Report	Wednesday 27 September 2023	Submission closing date for Draft Report	Wednesday 18 October 2023	Publication of Final Report	Wednesday 15 November 2023	Fee structure commencement	Monday 1 July 2024
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Publication of Final Report	Wednesday 15 November 2023													
Fee structure commencement	Monday 1 July 2024													
Meetings	Stakeholders may request a meeting in their submission. Matters discussed at a meeting may be made available to other stakeholders.													
Submissions closing date and information	<p>AEMO prefers that submissions be forwarded in electronic format (both pdf and Word) as they will be published on the AEMO website.</p> <p>Please provide electronic submissions by 5.00pm AEDT Friday 18 October 2023 to reformdevelopmentandinsights@aemo.com.au.</p>													

AEMO plans to publish all submissions on its website. Please identify any part of your submission that is confidential, and you do not wish to be published.

Respondents should also note that if material identified as confidential cannot be shared and validated with other stakeholders then it may be accorded less weight in AEMO's decision making process than published material.

1.2 Guiding principles for the Gas markets fee structure

AEMO consults on its proposed fee structure for Participant Fees, PCT Exchange Fees and Auction Fees in accordance with the standard consultative procedure under clause 135CA(3) of the National Gas Rules (NGR, Rules), and under these Rules, AEMO has the power to recover market fees from registered participants including auction participants and gas trading exchange members, as well as those participants covered under clause 135CA(4)(b)(iia) for the East Coast Gas System Reform Program.

AEMO's exercise or performance of its east coast gas system reliability and supply adequacy function (East Coast Gas System (ECGS) Reform Program) was defined as a major gas project at the time of commencement of the *National Gas (South Australia) (East Coast Gas System) Amendment Act 2023* (Amendment Act), in accordance with clause 135CB of the Rules, thus allowing AEMO to consult and determine a participant fee to recover the costs of the project until the next general determination of participant fees. As part of this amendment, AEMO may consult in accordance with the expedited consultative procedure under clause 135CB(2A) of the Rules. However, given the timing of commencement of the Amendment Act in April 2023, and the commencement of consultation on the fee structures for Participant Fees, PCT Exchange Fees and Auction Fees AEMO has elected to combine the two consultations into one.

In determining the structure of Participant Fees, PCT Exchange Fees and Auction Fees, and ECGS Reform Program Fees, AEMO must have regard to a range of matters, referred to as the Fee Structure Principles⁶ as well as the National Gas Objective (NGO). These are set out in more detail in Appendix A1 with some examples of how these requirements may be applied to reviewing the gas fee structures.

Specifically, in determining the structure of participant fees NGR clause 135CA requires that AEMO:

- Must have regard to the national gas objective; and
- Must have regard to the following principles:
 - the fee structure should be simple;
 - subject to subrule 4A⁷ the components of the fees charged to each Registered participant should be reflective of the extent to which the budgeted revenue requirements for AEMO involve that Registered participant;
 - Registered participant who is not required to be registered under the National Gas Law or these rules, other than under rule 713, should only be liable to pay participant fees for the purpose of recovering east coast gas system reliability costs and funding the trading fund under Part 27;

⁶ National Gas Rules Clause 135CA(4).

⁷ National Gas Rules Clause 135CA(4A) - The participant fees charged to a Registered participant may include a component for the recovery of capacity trading and auction costs or east coast gas system reliability costs even if those costs do not involve that Registered participant.

- the fee structure should not discriminate unreasonably against a category or categories of Registered participants; and
- must have regard to other fee structures that it thinks appropriate for comparison purposes.

The Rules do not expressly indicate that one or another of these Fee Structure Principles should have greater weight than the others. However, where it is not practicable for AEMO to satisfy all of the principles or satisfy them all to an equal degree, AEMO may adopt a structure which is not equally consistent with all the principles. Therefore, meeting the requirements established under the NGR typically requires a trade-off between principles. That is, an option to improve the fee structure against one principle may lessen the applicability of another principle.

For example, commonly competing principles are cost-reflectivity and simplicity. While cost-reflectivity in a fee structure could be improved through measures such as disaggregation of fees, markets or services, this would decrease the simplicity of the fee structure, and the systems to manage fees would become more complex.

AEMO's objective through this review and consultation process is to strike a balance between competing Fee Structure Principles, through careful consideration of the principles and stakeholder feedback on how any fee structure changes impact various stakeholders.

It is also relevant to note that the participant fees:

- should be sufficient to cover AEMO's budgeted revenue requirements.
- charged to a Registered participant may include a component for the recovery of capacity trading and auction costs or east coast gas system reliability costs even if those costs do not involve that Registered participant.

1.3 Budget and Fee Structure

The operation of clause 135CA, dealing with the development of participant fee structures needs to be understood in the context of its surrounding provisions which deal with budgets and the payment of Participant fees:

- Under clause 135CF(1) of the NGR, AEMO is required to prepare and publish its budgeted revenue requirements.
- That budget must take into account and identify revenue requirements for the matters set out in clause 135CF(2) of the NGR.
- Some, but not all of these matters are referred to in the components of Participant fees specified in 135CC(1)
- However, AEMO may adopt 'components' of Participant fees which are different to or more than those set out in clause 135CC(1).
- Section 135CA(5) of the NER provides that Participant fees should recover recurrent expenditure through principles prescribed under the NGR.
- Under section 135CE, AEMO may charge Registered Participants the relevant component of Participants fees in accordance with the structure of Participant fees.

Consequently, the scheme of clauses 135CA, 135CE and 135CF of the NGR is:

- To require AEMO to determine the structure of Participant fees according to certain rules;
- To require AEMO to determine AEMO's budgeted revenue requirements according to certain rules; and

- To empower AEMO to recover the budgeted revenue requirements through charging Registered Participants in accordance with the structure of Participant fees.

1.4 Consultation Scope

AEMO is seeking stakeholder views on the fee structures to apply from 1 July 2024 to gas Participant fees, PCT Exchange Fees and Auction Fees and ECGS Reform Program Fees. This relates to fee structures applying to the following AEMO markets and services:

Participant fees:

- Declared Wholesale Gas Market (DWGM)^{8,9}
- Short Term Trading Market (STTM)
- Retail markets (Vic, NSW/ACT, Qld, SA)
- Gas Bulletin Board (GBB)
- Gas Statement of Opportunities (GSOO)
- Energy Consumers Australia (ECA) Fees
- PCT fees:
 - Capacity trading platform (CTP)
 - Day-ahead auction (DAA)
 - Registration fee (CTP and DAA)
 - Operational Transportation Service (OTS) Code Panel.
- ECGS Reform Program (Stage 1)

Note that fee structures for the following services are out of scope for this consultation:

- Gas Supply Hub (GSH)
- Western Australia Full Retail Contestability (FRC) Gas Market
- Western Australia Gas Services Information (GSI).

These fee structures are prescribed in their respective market rules.

⁸ AEMO is able to charge Capacity Certificate (CC) auction fees under Rule 328B(12), and separately collects the proceeds of capacity certificate auctions, both of which need to be considered against the cost of operating the auction, with any excess costs recovered against the DWGM if required. A change to this Rule is not within scope of AEMO's consultation.

⁹ Cost recovery for the costs of the Dandenong Liquefied Natural Gas (LNG) agreement and the costs/profits of utilising the LNG is covered by Rule 286B. Therefore, the fee structure for these costs/profits is not within scope of AEMO's consultation.

2 Background and Context

The current structure for the gas participant fees came into effect on 1 July 2021 and expires on 30 June 2024.¹⁰ As such, AEMO is required to review and publish, in consultation with Registered participants, interested parties and such other persons as AEMO thinks appropriate, the structure and term of participant fees to apply from 1 July 2024.¹¹ AEMO must consult on the fee structure in accordance with the extended consultative procedure under the NGR.

The current fee structure for PCT services came into effect on 1 July 2021 and will expire on 30 June 2024. This term was intended to align with the term of the gas participant fees structures. Fee structures for PCT were introduced in March 2019 and were necessary to support new services introduced in early 2019 resulting from gas pipeline capacity trading reform.¹² These fees are recovered as Exchange Fees and Auction Fees under the NGR but are considered together with participant fees through this consultation given the similar consultation requirements and term expiry dates, and benefits of taking a holistic view of gas fees.

AEMO is seeking stakeholder views on these fee structures as they relate to AEMO's operation of wholesale and retail gas markets, other markets supporting the secondary trading of gas and pipeline capacity and the Gas Bulletin Board that provides up-to-date gas market and system information.

In addition to these markets and services, on 12 August 2022, Energy Ministers agreed to take a range of actions to support a more secure, resilient and flexible east coast gas market, including the implementation of a reliability and supply adequacy framework that can be used to identify and respond to reliability and/or supply adequacy threats and better manage periods of volatility.¹³

This has resulted in a material change to AEMO's roles and responsibilities across the east coast gas market for which a determination on an approach to recovering costs is required.

The development of this framework (referred to herein as the ECGS Reform Program) was prompted by the significant challenges experienced across east coast gas markets in 2022, and analysis^{14,15} by the Australian Competition and Consumer Commission (ACCC) and AEMO, which forecasts potential supply shortfalls emerging from 2023.¹⁶

The ECGS Reform Program is being developed in two stages¹⁷:

- Stage 1 focuses on those elements of the framework required to enable AEMO to monitor and communicate emerging threats to the reliability and/or adequacy of supply and to respond to any such threats by winter 2023, including last resort intervention powers if industry response is inadequate (such as by issuing directions or trading in natural gas, transportation and storage services); and

¹⁰ Determinations are set out for Participant Fees in AEMO's Final Report Structure of participant fees in AEMO's gas markets published 19 March 2021. Available on AEMO's website at: [AEMO | Gas Markets Participant Fee Structure Review](#)

¹¹ S135CA(1) National Gas Rules

¹² Determinations are set out for PCT Fees in AEMO Final Report Gas Pipeline Capacity Trading and Day Ahead Auction 2019 Fee Structure (12 February 2019).

¹³ Energy Ministers, Priority reforms for a more secure, resilient and flexible east coast gas market, 12 August 2022.

¹⁴ See [ACCC July 2022 Gas Inquiry Interim report](#)

¹⁵ See [AEMO Gas Supply and System Adequacy Risks report](#)

¹⁶ Energy Ministers, Information paper: Extending AEMO's functions and powers to manage east coast gas system reliability & supply adequacy. February 2023

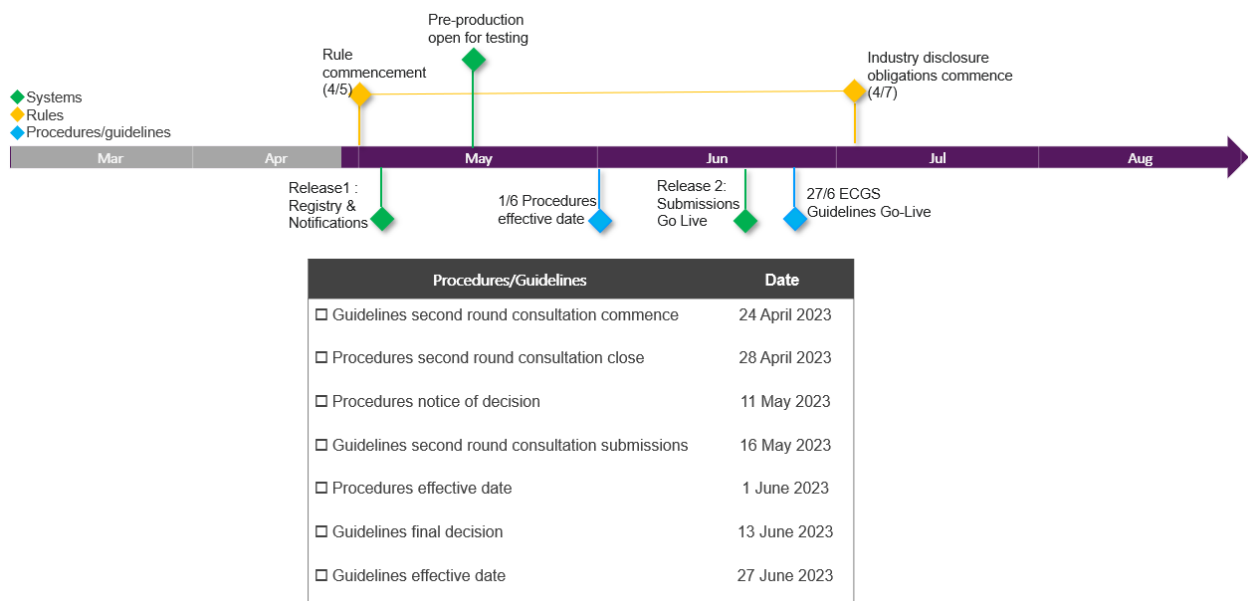
¹⁷ Ibid.

- Stage 2 focuses on those elements of the framework that are required to guide and frame how AEMO approaches its new functions and facilitate more efficient responses by market participants but can be implemented post 2023.¹⁸

On 28 October 2022, Energy Ministers agreed to amend the National Gas Law (NGL, Law) to extend AEMO's functions and powers to manage reliability and gas supply adequacy in the east coast gas market.¹⁹ In February 2023, Energy Ministers also agreed to amend the NGR and National Gas Regulations to implement the Stage 1 reforms.²⁰

The Stage 1 implementation timeline is shown below in Figure 1. Further details on Stage 1 and Stage 2 of the ESCG Reform Program were provided in AEMO's [Consultation Paper](#) published on 4 August 2023.

Figure 1 – Implementation timeline



Program cost estimates and cash flows across FY2023 and FY2024 have been developed and are shown in Table 3 below. Capital costs include those associated with Stage 1 implementation activities only referred to above in Figure 1 and to be recovered through the ECGS Reform Program fee structure determined in this consultation. No additional capital costs are anticipated to be incurred from Stage 1.

Table 3 – Estimated ECGS Reform Program Stage 1 Program Costs

Cost component	\$
Total capital costs	\$2,000,000
Ongoing costs per annum²¹	\$1,500,000

¹⁸ At the time of publication of this Draft Report, consultation on Stage 2 of the ECGS Framework remains ongoing.

¹⁹ Energy Ministers, Meeting Communique. 28 October 2022.

²⁰ Energy Ministers, Information paper: Extending AEMO's functions and powers to manage east coast gas system reliability & supply adequacy. February 2023

²¹ Ongoing costs are assumed to commence from FY24 and relate to business and digital post go-live support for the Stage 1 reforms.



As Stage 1 has now been completed, Energy Senior Officials are currently consulting on measures for potential inclusion in Stage 2 of the framework, which will help guide how AEMO delivers its new functions.

This consultation process remains open, and the outcomes are not within the scope of this fee consultation. Further information on the Stage 2 consultation is available [here](#).

3 Discussion and Draft Proposal of Key Issues for Consultation

This section discusses the issues outlined in section 3 in further detail, highlights the options considered to address those issues incorporating stakeholder feedback, and also includes an assessment of each option against the NGO and the fee structure principles and AEMO’s draft determination on each matter.

Where an assessment against options has been undertaken, the following principles assessment key has been applied:

	Most aligned with the principle
	Partially aligned with the principle
	Least aligned with the principle

3.1 Gas fee structure term

3.1.1 Issues summary and current approach

The gas fee structure term and averaging period, defines the period over which AEMO seeks to recover its costs. The Rules permit AEMO to set participant fee structures for a period of time as it considers appropriate.²²

The existing term of the participant fee structures is three years. A three-year rolling period is also used to recover costs in each market.

Setting a fee structure over a longer period, for example five years, provides certainty and predictability. This needs to be balanced against having the ability to change a fee structure if circumstances change. There are several regulatory reforms and market factors which may impact the gas industry over the next few years. Such changes include reforms like Stage 2 of the ECGS Reform Program; emergent reforms required to accommodate hydrogen networks; and uncertain market dynamics and trends such as domestic gas supply, global demand, and price impacts.

3.1.2 Stakeholder views

APLNG supported maintaining the existing three-year term along with the three-year rolling period as a longer period would not be appropriate due to the dynamic regulatory environment including the potential for new reforms to arise from the Government’s stage 2 development of the reliability and supply adequacy framework and its future gas strategy.

3.1.3 AEMO’s draft proposal and rationale

AEMO proposes the next fees determination term to recover costs for gas participant fees, PCT Exchange Fees and Auction Fees and ECGS reform program fees is three years.

²² National Gas Rules, Clause 135CA(1)



Currently a three-year rolling period is also used to recover costs in each market.

Since its Consultation Paper, AEMO has considered the issue of a rolling period further, particularly in the context of a dynamic environment with many reforms developing and considers there to be merit in removing the three-year rolling period for the upcoming fee period. Specifically, AEMO note the following reasons in support of removing the rolling period:

- Consistency with the NGO – focuses more on minimising the year-to-year variability of fees to participants, as well as the variability between fee determination periods.
- Comparability and having regard to other fee structures – greater alignment with AEMO’s electricity fee structure which does not have a specified rolling period.

AEMO therefore proposes the next fee structure term to recover costs for gas participant fees, PCT Exchange Fees and Auction Fees and ECGS reform program fees is three years with no specified rolling period. AEMO will instead communicate with participants any approach taken to minimise variability of its fees for a given financial year via its annual budget and fees process, where relevant. AEMO considers this approach best balances the need to manage the impact of expenditure variability due to the number of regulatory reforms and market impacts expected to occur over the next few years.

AEMO note this approach differs from that proposed in its Consultation Paper and welcomes stakeholder feedback on the benefits, and potential impacts of retaining the three-year rolling period versus removal of it.

3.2 Registration fees

3.2.1 Issues summary and current approach

Registration fees are a component of the participant fees which comprises an annual fee for each registrable capacity of Registered Participants.

Table 4 below summarises the registration fees applicable which were based on analysis completed by AEMO of registration activities across the business for the current fee period. As highlighted in Table 2, GBB registration fees for BB participants are no longer applicable due to the implementation of the National Gas Amendment (Market Transparency) Rule 2022.

Table 4 – Current Registration fees

Gas market	Liabile registered participants	Fee structure
DWGM		
Initial registration fee	Each new DWGM market registered participant.	\$ / registration / registrable capacity
STTM		
Initial registration fee	Each new STTM market registered participant.	\$ / registration / registrable capacity
Retail		
Vic Gas initial registration fee	Each new Victorian retail gas market participant registering in the capacity of market participant – retailer or market participant – other.	\$ / registration / registrable capacity
Qld, SA, NSW & ACT Gas initial registration fee	Each new retail gas market participant registering in the registrable capacity of retailer or self-contracting user.	\$ / registration / registrable capacity
PCT		

Gas market	Liabe registered participants	Fee structure
Registration fee	Each new participant, including: <ul style="list-style-type: none"> • Part 24 Facility operators; and • Day ahead - Auction participants. 	\$ / registration / registrable capacity

The analysis also informed which registerable capacities will be calculated on a quoted basis. That is, quoted fees will apply to registered participant categories where registrations are infrequent, complex in nature, diverse in registration requirements, time-consuming or otherwise difficult to prepare a standard fee for. These registrable capacities are set out in the following table.

Table 5 – Registration fees to be provided on a quoted basis

Market	Registrable capacity for which registration fees will be quoted
DWGM	<ul style="list-style-type: none"> • Market Participant - Producer • Market Participant - Transmission customer • Market Participant - Storage Provider • Participant - Declared transmission system service provider • Participant - Interconnected transmission pipeline service provider • Participant - Distributor • Participant - Producer • Participant - Storage provider • Participant - Transmission Customer
Retail - NSW/ACT	<ul style="list-style-type: none"> • Network Operator
Retail - QLD	<ul style="list-style-type: none"> • Distributor
Retail - SA	<ul style="list-style-type: none"> • Network operator • Network operator - Mildura region • Transmission System operator
Retail - VIC	<ul style="list-style-type: none"> • Distributor • Transmission System Service Provider.

3.2.2 Stakeholder views

There was no stakeholder feedback received on existing registration fees.

3.2.3 AEMO’s draft proposal and rationale

AEMO does not consider any changes are required to the existing Registration fees for the next fee period. The changes introduced for the current period were based on extensive analysis undertaken on AEMO’s registration activities to understand the requirements for registrable capacities and there have not been any significant changes to these recently. Additionally, no stakeholder feedback was received on this matter.

3.3 PCT fees – transportation services and recovery via other markets

3.3.1 Issues summary and current approach

PCT allows participants to trade spare gas pipeline capacity, helping to encourage transmission pipelines and compressors outside of the Victorian Declared Transmission System to be used more efficiently. PCT services facilitate the trading of transmission pipeline and compression services (jointly referred to as ‘transportation services’) through two key mechanisms:

- a CTP that shippers can use to trade secondary capacity ahead of the nomination cut-off time, and provides for exchange-based trading of commonly traded products and a listing service for other more bespoke products; and
- a DAA of contracted but un-nominated capacity, conducted shortly after nomination cut-off and subject to a reserve price of zero (with compressor fuel provided in-kind by shippers).

In relation to transportation services, AEMO currently disaggregates compression service fees from other transportation services traded on the CTP and DAA, applying charges on a \$/GJ basis. This disaggregation was made for the current period in order to more efficiently apply fees for use of the CTP and DAA, thereby encouraging the increased utilisation of the PCT to deliver increased realisation of PCT efficiency objectives, and ultimately reduce prices paid by PCT participants, wholesale market participants and gas consumers. Further, AEMO anticipated that a reduction in the compression fee could increase the quantity of services purchased in the DAA. A volume-based fee was considered appropriate because the benefits of participants' access to AEMO's PCT markets increases with increasing volumes traded through those markets.

Additionally, for the current gas fee period, AEMO determined to introduce a deficit safety net threshold value of \$900,000 which applies to its aggregate financial position on its three PCT accounts (i.e. CTP, DAA and the Operational Transportation Service (OTS) Code Panel). While the financial position for each of the CTP, DAA and OTS Services Panel are ring-fenced from each other and from other gas markets accounts, AEMO treats these as a single aggregate account for the purpose of considering the overall financial position and whether to exercise the deficit safety net. This means should a deficit exceeding \$900,000 accrue across PCT accounts, AEMO would have the right to recover any amount exceeding this threshold from the DWGM and STTM wholesale markets during the fee structure term. Any recovery from these markets would be made via adjustments to fees in the subsequent year/s using the following methodology:

- allocating the deficit recovery value between DWGM and STTM on a GJ withdrawn basis;
- aggregating the PCT recovery value with each of the DWGM and STTM financial positions; then
- incorporating into the DWGM and STTM fees as per the status quo (\$/GJ withdrawn fee).

3.3.2 Stakeholder views

No stakeholder feedback was received on the current structure.

3.3.3 AEMO's draft proposal and rationale

AEMO proposes to maintain the existing approach for both issues relating to PCT fees, that is:

- Maintain the disaggregation of transportation services, applying a \$/GJ fee, which more efficiently applies fees for use of the CTP and DAA; and
- Continue with the deficit safety net threshold value of \$900,000 (with any amounts exceeding the threshold to be recovered from the DWGM and STTM markets) as it balances the need to mitigate the financial risk of any future weakened PCT performance with the need to allow the PCT market to mature so the associated benefits across participants can continue to be better understood.

3.4 GSOO fees – application to participants

3.4.1 Issues summary and current approach

The GSOO provides AEMO's forecast of annual gas consumption and maximum gas demand, and reports on the adequacy of eastern and south-eastern Australian gas markets to supply forecast demand over a 20-year outlook period.

AEMO determined for its current gas fee structure to recover GSOO fees on the following basis:

- 30% from producers on a \$ / GJ produced basis (including any LNG imports in the future); and
- 70% from retailers on a \$ / supply point basis.

The key driver for this change was to transition to a mechanism that more proportionally disseminates costs across registered participants, and potentially down supply chains, whilst also taking into account the reflective of involvement principle. Additionally, LNG import facilities were included in the producer portion of the fee on the basis of the entry of this gas into the domestic gas market.

Consideration of the GSOO is a complex matter and requires careful consideration against the fee structure principles, particularly the reflective of involvement principle as fees should be reflective of extent to which costs to AEMO involve a registered participant. The challenges in having regard to the reflective of involvement principle in the GSOO arise out of:

- Applying the reflective of involvement principle for a service where the participants that primarily input to the GSOO are not the only stakeholders that benefit from the GSOO, which means that the extent and type of involvement requires balanced consideration;
- The broad nature of GSOO outcomes results in difficulties in validating direct beneficiaries of the GSOO or definitively assessing their benefits relative to other stakeholders; and
- Allocating fees when some beneficiaries are not registered participants and cannot be charged, noting that the principle requires AEMO to have regard to the extent to which the budgeted revenue requirements for AEMO involve a registered participant.

3.4.2 Stakeholder views


APLNG suggested that GSOO fees should be allocated to a broader range of participants (including wholesale market participants) and that the share of the costs allocated to producers should be less than 30%.

3.4.3 AEMO's draft proposal and rationale

AEMO proposes to maintain the existing approach of recovering GSOO costs.

During AEMO's analysis undertaken for its Final Determination²³ for the current GSOO fee structure, the reflective of involvement principle was heavily considered to determine the allocation to producers. This analysis resulted in a reduction in the cost allocation to producers, which was initially proposed as 50% in the Draft Determination to 30% as the final allocation.

²³ Final Determination for the 2021 – 2024 Gas Fee Structure. Available on AEMO's website at: [2021-03-19-final-report-gas-fee-structures.pdf \(aemo.com.au\)](https://aemo.com.au/2021-03-19-final-report-gas-fee-structures.pdf)



Additionally, analysis found that while it is inherently difficult to assign a value, directly recovering 30% costs from producers, who are contributors to, and beneficiaries of the GSOO would align most consistently with the involvement principle and NGO for the following reasons:

- The level of interaction, and based on inputs required for the GSOO from producers, may be around 30-40%.
- The benefits derived from the GSOO warrants a 30% allocation (approximately) based on assessment against the benefits to other registered participants.
- A broader range of consumers and other participants would be captured as costs allocated to producers would ultimately be passed through to consumers down various gas supply chains.

Additionally, AEMO considers that producers can benefit from the GSOO through insight into the gas market outlook to inform facility development and contracting strategies, and the GSOO also assists exporters (and policy makers) in understanding the risks of domestic supply, leading to better outcomes for the gas supply to external markets. Further, the introduction of the National Gas Amendment (Market Transparency) Rule 2022 made on 30 June 2022²⁴ has altered the requirements of participants (including producers) to provide additional information for the GSOO. It is for these reasons AEMO believes a reduction to the cost allocation of producers is not warranted at this stage.

3.5 Retail market fees – aggregation

3.5.1 Issues summary and current approach

AEMO's retail gas markets allow licensed retailers to sell natural gas to residential and business customers in New South Wales, the Australian Capital Territory, Queensland, South Australia and Victoria²⁵. The gas retail markets are operated according to a set of processes, responsibilities and obligations that AEMO administers. AEMO also provides the systems to facilitate interactions between industry participants.

Specifically, AEMO provides the following services to participants in its retail markets:

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

AEMO operates the following retail gas markets:

- Victorian retail gas market;
- New South Wales / Australian Capital Territory retail gas market;
- Queensland retail gas market;
- South Australian retail gas market.

²⁴ Making of the Rule by Minister Koutsantonis available on the AEMC's website at: [20220630_Gas_Market_Transparency_Rule.pdf \(aemc.gov.au\)](#)

²⁵ AEMO also operates a WA market but this is not considered through this consultation process.

AEMO determined for the current gas fee structure period to maintain separate fees to each of its above retail gas markets on the basis described in Table 6 below.

Table 6 – Retail gas market fees (excluding registration fees²⁶)

Market	Liable registered participants	Fee structure
VIC Gas Tariff	Each Victorian retail gas market participant participating in the registrable capacity of market participant – retailer.	\$ / customer supply point
QLD, SA, NSW & ACT Gas Tariff	Each retail gas market participant participating in the registrable capacity of retailer.	\$ / customer supply point (by jurisdiction)

The activities associated with the operation of each retail market are similar, and the current disaggregation of fees across various jurisdictions results in some administrative duplication by AEMO. Likewise, there may be some additional effort by retailers operating across retail markets to process multiple AEMO fees.

There is potential to achieve greater simplicity for retail market gas tariff fees by applying a single charge across all jurisdictions which could benefit both registered participants and AEMO through efficiencies such as consolidated billing and settlement processes.

It is noted that there is variance in the \$ / supply point fee for each of the retail markets, which is partly attributable to the number of customers in each market. This means that a uniform tariff would likely result in tariff increases in lower priced retail markets (e.g. in Victoria) and tariff decreases in higher priced retail markets (e.g. Queensland). While this approach is inherently less cost reflective, this may be offset by the efficiencies of a simpler approach, and comparability with the NEM retail fee structure.

3.5.2 Stakeholder views

No stakeholder feedback was received on this matter.

3.5.3 AEMO's draft proposal and rationale

AEMO proposed to maintain the existing approach for gas retail market fees. The procedures, systems and internal processes for each jurisdiction are different and therefore any improvements of applying a single charge across all jurisdictions would be unsubstantial and would be offset by being less reflective of involvement.

3.6 Gas Bulletin Board fee structure

3.6.1 Issues summary and current approach

The GBB provides up-to-date gas flow information for BB users covering all major gas production fields, major demand centres and natural gas transmission pipelines in New South Wales, the Australian Capital Territory, Queensland, South Australia, Victoria, Tasmania and the Northern Territory. AEMO must maintain the Bulletin Board, in accordance with the NGL, the Rules and the BB Procedures to facilitate:

- trade in natural gas and natural gas services;

²⁶ Registration fees were discussed in section 3.2.

- informed and efficient decisions in relation to the provision and use of natural gas and natural gas services; and
- negotiations for access to BB pipelines and other BB facilities providing third party access.²⁷

Below is the existing structure for the GBB, excluding registration fees which has been discussed previously in section 4.2.

Table 7 – GBB fee recovery

	Liabe registered participants	Fee structure
Producers	Each BB facility operator for a BB production facility.	\$ / GJ produced (to allocate 50% of GBB costs)
Wholesale gas markets participants	Each Market Participant withdrawing gas in the DWGM or each STTM Shipper or STTM User withdrawing gas at any hub.	\$ / GJ withdrawn (to allocate 50% of GBB costs)

3.6.2 Stakeholder views

APLNG proposed that the GBB fees should be allocated to a broader range of participants and that the costs allocated to producers should be less than 30%. APLNG also suggested that the volume produced to meet LNG export demand should be excluded from the calculation used to allocate GBB fees as LNG export customers do not benefit from the GBB information.

3.6.3 AEMO’s draft proposal and rationale

AEMO proposes to maintain the existing arrangements for GBB fee recovery, that is an equal allocation between producers and wholesale gas market participants.

This structure already captures a broad base of participants and reflects an objective, equitable and unbiased weighting to support the principles. That is, costs are recovered from all producers of gas regardless of its end use. Additionally, similarly for the GSOO information requirements, the introduction of the National Gas Amendment (Market Transparency) Rule 2022 has required further information from participants for the GBB, therefore reducing the cost allocation for producers is not warranted at this stage.

3.7 ECGS Reform Program

3.7.1 Participant fee structure options for the ECGS Reform Program fee

As discussed in Section 1.2, AEMO’s exercise or performance of its east coast gas system reliability and supply adequacy function was defined as a major gas project at the time of commencement of the Amendment Act, in accordance with clause 135CB of the Rules. When a Participant fee structure is developed under Part 15A Division 3 of the NGR, the following aspects must also be determined:

- the structure of the Participant fee to be used in the recovery of costs;
- the Registered Participants that will be charged the fee;
- the start date for recovery; and

²⁷ Rule 145 of the NGR.

- the period or periods over which recovery will occur.

AEMO’s Consultation Paper outlined two options for the ECGS Reform Program fee for stakeholder feedback:

1. A separate fee similar to the existing GBB fee structure, that is, 50% of GBB costs from producers, on a \$ / GJ produced basis, and 50% from all wholesale gas markets participants withdrawing gas in the DWGM or each STTM shipper or user withdrawing gas at any hub, on a \$ / GJ withdrawn basis.
2. A separate fee that levies costs of the ECGS Reform Program fee on a withdrawal / consumed basis to all Part 27 relevant entities defined in NGL 91AF(8).

Additionally, the Consultation Paper proposed commencing recovery of costs from 1 July 2024 for a period of three years.

3.7.2 Stakeholder views

All stakeholder submissions provided feedback on the two options presented in the Consultation Paper for the ECGS Reform Program fee structure. The submissions did not provide feedback on AEMO’s proposed commencement date or recovery period. A summary of stakeholder feedback is reflected in Table 8 below.

Table 8 – Summary of stakeholder views on Participant fee structure options for the ECGS Reform Program

Option	Stakeholders	General Comments
A separate fee consistent with GBB fee structure approach	APA, APGA, Origin	<ul style="list-style-type: none"> • The ECGS Reforms reporting obligations are an extension of the GBB reporting obligations. • Simple as it is consistent with a current fee structure.
A separate fee that levies costs on a withdrawal / consumption basis	APLNG, Shell	<ul style="list-style-type: none"> • Recovery on a withdrawal or consumption basis more closely targets the beneficiaries of the reforms. • Shippers or producers should not be allocated these fees as they are not the beneficiaries of the reforms. • Consumers are the ultimate beneficiaries of the reforms. • Consumption related to LNG exports should be excluded from the calculation base.

3.7.3 AEMO’s assessment on options for the ECGS Reform Program participant fee structure

AEMO has further considered the options originally presented in the Consultation Paper, along with stakeholder feedback received, and has reassessed the two original options against the fee principles and NGO. Additionally, AEMO has proposed a third fee structure option, which is consistent with the existing GSOO fee structure, for stakeholder consideration and feedback. Table 9 below reflects AEMO’s assessment of all three options.

Table 9 – Fee structure options for the ECGS Reform Program

Option	Description	Assessment against Fee Principles and the NGO
1. A separate fee consistent with GBB fee structure approach	<p>This approach would mirror the fee structure established for the GBB with producers and wholesale gas market participants allocated 50% of the costs of the reform program each charged on a \$ / GJ produced or withdrawn basis respectively.</p> <p>Similar to ECGS, the GBB functions beyond AEMO’s facilitated markets (STTM and</p>	NGO

Option	Description	Assessment against Fee Principles and the NGO
	<p>DWGM) and the transparency it provides benefits industry as a whole. GBB fees are levied on both the facilitated markets and on producers (who, generally, operate outside of the markets).</p> <p>Charging a share of the fees to producers and to the markets would allocate a share of the costs to both suppliers and consumers of gas.</p> <p>PROS</p> <ul style="list-style-type: none"> • Simple to implement with established framework / process and available supporting data • Benefits of the ECGS reforms extend beyond consumers, by charging producers potentially provides a more equitable split in terms of cost reflectivity • Promotes all end users contributing to the costs of the reform program • A separate fee promotes transparency of the costs of the reform program <p>CONS</p> <ul style="list-style-type: none"> • Some beneficiaries of the ECGS reforms captured by the facilitated markets may get double charged due to direct costs to be recovered by AEMO and then indirect costs to be recovered from producers (although AEMO expects the cost per GJ would not be material) • Producers potentially charged costs for the reform program and also required to 'act' to resolve potential or actual threat to reliability or adequacy of supply 	<p>Simplicity</p> <p>Cost Reflectivity</p> <p>Non-discriminatory</p> <p>Recovery of AEMO's budgeted requirements on a specified basis</p>
<p>2. A separate fee that levies costs on a withdrawal / consumption basis from BB shippers only on an annual/quarterly basis</p>	<p>This approach would look to recover the costs of the ECGS reforms on a withdrawals / consumption basis from BB shippers only, charged on a \$ / GJ withdrawn / consumed on an annual/quarterly basis. The charging based on a withdrawal / consumed approach is consistent with the recovery of costs for the trading function and any compensation for directions.</p> <p>PROS</p> <ul style="list-style-type: none"> • Simple single fee for recovering the costs of the program • Broad coverage (not just AEMO facilitated markets) of all ECGS demand and therefore beneficiaries of the reforms 	<p>NGO</p> <p>Simplicity</p>

Option	Description	Assessment against Fee Principles and the NGO
	<ul style="list-style-type: none"> Consistent with approach for recovery of trading and direction compensation already consulted on with market participants A separate fee promotes transparency of the costs of the reform program <p>CONS</p> <ul style="list-style-type: none"> High level of complexity as this option: <ul style="list-style-type: none"> Requires additional data from pipeline operators on each shipper's share of deliveries to end-use delivery points as this information is not readily available to AEMO. Pipeline operators are not obligated to provide the data required. Providing data on an annual or quarterly basis would be resource intensive for participants and AEMO. Requires AEMO to establish new process / framework Producers not charged directly despite some involvement in the reforms 	<p>Cost Reflectivity</p> <hr/> <p>Non-discriminatory</p> <hr/> <p>Recovery of AEMO's budgeted requirements on a specified basis</p>
<p>3. A separate fee consistent with the existing GSOO fee structure approach</p>	<p>This approach mirrors the existing GSOO fee structure that would allocate 30% of the ECGS Reform Program fee costs to producers (including supply that is made available to LNG export demand) on a \$ / GJ produced basis and 70% of the costs to retailers on a \$ / supply point basis.</p> <p>Charging a share of the fees to producers and to retailers would allocate a share of the costs to both suppliers and consumers of gas.</p> <p>PROS</p> <ul style="list-style-type: none"> A separate fee promotes transparency of the costs of the reform program Simple as it is consistent with an existing approach that has been implemented Simple as data required for charging is available Broad coverage of all ECGS supply and demand and therefore beneficiaries / those involved with the reforms <p>CONS</p>	<p>NGO</p> <hr/> <p>Simplicity</p> <hr/> <p>Cost Reflectivity</p>

Option	Description	Assessment against Fee Principles and the NGO
	<ul style="list-style-type: none"> • Cost recovery is not 100% on a consumption basis which would reflect beneficiaries of the ECGS reform, but noting that the reflective of involvement principle is not limited to only beneficiaries • Producers potentially charged costs for the reform program and also required to 'act' to resolve potential or actual threat to reliability or adequacy of supply 	<p data-bbox="1074 344 1461 595">Non-discriminatory</p> <p data-bbox="1074 595 1461 848">Recovery of AEMO's budgeted requirements on a specified basis</p>

3.7.4 AEMO's draft proposal and rationale


AEMO's draft fee structure proposal for the ECGS Reform Program fee is Option 3, that is a separate fee similar to the existing GSOO fee structure that recovers 30% of costs from producers on a \$ / GJ produced basis and 70% from retailers on a \$ / supply point basis. AEMO also proposes to commence recovery of the ECGS Reform Program capital costs from 1 July 2024 for a period of two years.

This approach is preferred because the ECGS Reform Program functions are about ensuring all consumers of gas across the east coast gas system have reliable and adequate gas supply therefore involving a broader participant base to recover costs from, including those close to the end-use consumer.

Specifically, the approach is more consistent with the following fee structure principles which AEMO must consider in its assessment of fee structure options:

- The cost recovery approach from producers and retailers aligns with the *simplicity principle* more than recovery from BB shippers (Option 2).
 - Does not rely on additional data being obtained from pipeline operators for data/information that AEMO does not have access to and therefore does not require procedural or system changes for participants and AEMO from an information perspective.
- The approach *does not unreasonably discriminate* against participants as the approach recovers costs from a broad range of participants which provides for all end-use consumers to be captured.
 - Recovering costs from producers and retailers ensures those who are involved in the ECGS Reform Program are charged.
- The approach satisfies the *cost reflectivity principle* more than Option 1.
 - The ECGS Reform Program involves all consumers of gas across the east coast gas system rather than only those markets that the GBB fee structure considers (for which Part 19 and Part 20 already have functions built into them to deal with gas shortfalls).

Additionally, the cost recovery commencement date would allow recovery of costs to commence commensurate with AEMO's other gas fee structures.

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- AEMO proposes that capital costs of the ECGS Stage 1 reforms will be recovered over a two-year period from 1 July 2024, as Stage 1 implementation has completed, and costs are not significant. This two-year recovery period will also provide better transparency to stakeholders on the delineation and recovery of Stage 2 costs once its implementation approach and costs have been finalised.
 - Consistent with the draft proposal for other gas fee structures, a specific rolling period is not proposed for recovery of the ongoing ECGS Reform Program costs, however, AEMO will communicate with participants any approach taken to minimise variability of its fees for a given financial year via its annual budget and fees process, where relevant.

A1. Fee structure principles

Fee Structure Principle	Requirement	Application and examples
National Gas Objective (NGO)	<p>In determining Participant fees, AEMO must have regard to the national electricity objective.</p> <p>The objective of the NEL is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—</p> <p>(a) price, quality, safety, reliability and security of supply of electricity; and</p> <p>(b) the reliability, safety and security of the national electricity system</p>	<p>...“to promote efficient investment in, and efficient operation and use of, natural gas services for the long-term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.”</p> <p>The First Reading Speech to the NATIONAL GAS (SOUTH AUSTRALIA) BILL 2008 makes it clear that the NGO is an economic concept and should be interpreted as such.</p> <p><i>“The long term interest of consumers of gas requires the economic welfare of consumers, over the long term, to be maximised. If gas markets and access to pipeline services are efficient in an economic sense, the long term economic interests of consumers in respect of price, quality, reliability, safety and security of natural gas services will be maximised. By the promotion of an economic efficiency objective in access to pipeline services, competition will be promoted in upstream and downstream markets.”</i></p> <p>The Speech goes on to state that:</p> <p><i>“The long term interest of consumers of gas requires the economic welfare of consumers, over the long term, to be maximised. If gas markets and access to pipeline services are efficient in an economic sense, the long term economic interests of consumers in respect of price, quality, reliability, safety and security of natural gas services will be maximised. By the promotion of an economic efficiency objective in access to pipeline services, competition will be promoted in upstream and downstream markets.”</i></p> <p>The NGO is clearly a relevant consideration where AEMO has to exercise judgment or discretion in reaching its determination, for example, if there is a number of Participant fee structures each of which can satisfy the Fee Structure principles, or where the relevant provisions of the Rules are ambiguous.”</p>
Simplicity	<p>The structure of Participant fees should be simple</p>	<p>As “simple” is not defined in the Rules, it must be given its ordinary meaning as understood in the context of clause 135CA of the Rules. The New Shorter Oxford English Dictionary’s definition of “simple” (in this context) is: “not complicated or elaborate” and “plain, unadorned”. Whether a fee structure fits these definitions is largely a matter of judgement.</p> <p>There is a wide range of possible fee structures. There is no single identifiable point where “simple” becomes “complicated”.</p> <p>It is clear from this provision that a certain degree of complexity was envisaged in that the structure of Participant fees may involve several components and budgeted revenue consists of several elements. The structure of Participant fees need not demonstrate absolute simplicity.</p> <p>The simplest fee structures are unlikely to be consistent with the other criteria. However, it is possible to find fee structures that, while consistent with the other criteria, are relatively simple, in comparison to alternative structures.</p> <p>Further, AEMO considers that the use of the word “simple” in this context also involves a degree of transparency. AEMO considers that the simplicity principle means that the basis of the fee structure and its application to various Registered participants should be:</p> <ul style="list-style-type: none"> • straight-forward • easily understood by participants • readily applied by Registered participants and AEMO • foreseeable and forecastable in terms of impacts and costs.
Cost reflectivity	<p>The components of the fees charged to each Registered participant should be reflective of the extent to which the budgeted</p>	<p>Note that rule 135CA(4A) provides that the participant fees charged to a Registered participant (including a relevant entity) may include a component</p>

Fee Structure Principle	Requirement	Application and examples
	<p>revenue requirements for AEMO involve that Registered participant.²⁸</p>	<p>for the recovery of capacity trading and auction costs or east coast gas system reliability costs even if those costs do not involve that Registered participant.</p> <p>A 'relevant entity' under Part 27 should only be liable to pay participant fees for the purpose of recovering east coast gas system reliability costs and funding the trading fund under Part 27.</p> <p>In determining whether the extent to which the budgeted revenue requirement relating to a particular output involves a class of Registered Participant, AEMO relies on the experience and expertise of its general managers and staff, and considers factors such as the degree to which the class of Registered Participant:</p> <ul style="list-style-type: none"> • interacts with AEMO in relation to the output; • uses the output; • receives the output; and • benefits from the output. <p>AEMO also considers the how the revenue requirements have given rise to, or are caused by, that class of Registered Participant's presence in the market.</p> <p>AEMO must determine the structure of Participant fees "afresh".</p> <p>That is, it must freshly consider the application of the criteria in clause 135CA of the Rules and the NGL to the facts and analysis available to it at this time. In doing so, however, AEMO will have regard to its previous determinations under clause 135CA of the Rules, where appropriate.</p> <p>The principle of "reflective of extent of involvement" does not have a specialised meaning in economics. It is consistent with the economic notion of 'user pays' but as a matter of ordinary language, it indicates a degree of correspondence (between AEMO and its costs and participants) without connoting identity.</p> <p>However, this principle does not involve a precise degree of correspondence.</p> <p>Where fixed and common costs are involved, multiple registered participants may be involved with AEMO costs in relevantly similar ways.</p> <p>AEMO's analysis and experience shows that there are categories or classes of Registered Participants that share certain characteristics that mean that the way in which they interact with AEMO is likely to have the same or similar cost implications for AEMO.</p> <p>Where it is practical for AEMO to identify costs that are fixed or common in nature that can reasonably be allocated to a class or classes of Participants that share characteristics such that their involvement with AEMO's outputs is likely to have the same or similar cost implications, AEMO will seek to do so.</p>
<p>Non-discriminatory</p>	<p>The fee structure should not discriminate unreasonably against a category or categories of Registered participants.</p>	<p>In past Participant Fee determinations, AEMO adopted the following definition of discriminate:</p> <p><i>"Discriminate means to treat people or categories of people differently or unequally. Discriminate also means to treat people, who are different in a material manner, in the same or identical fashion. Further, "discriminate against" has a legal meaning which is to accord "different treatment ... to persons or things by reference to considerations which are irrelevant to the object to be attained".</i></p> <p>This principle allows AEMO to discriminate against a category or categories of Registered participants where to do so would be reasonable.</p> <p>Where a degree of discrimination between categories of Registered Participants is necessary or appropriate to achieve consistency with the other principles in clause 135CA of the Rules, or the NGL, the discrimination will not be "unreasonable".</p>

²⁸ Subject to subrule 135CA(4A)

Fee Structure Principle	Requirement	Application and examples
		<p>In considering a past electricity fee structure determination, the Dispute Resolution Panel accepted that this principle is to be applied to the extent practicable and it is only unreasonable discrimination that offends.</p> <p>Note that although the decision related to Clause 2.11.1(b)(4) of the Electricity Code, clause 135CA of the Rules is substantially the same as the equivalent clause in the Electricity Code.</p>
Comparability	<p>In developing, reviewing and publishing, the structure of Participant fees, AEMO must have regard to other fee structures that AEMO thinks appropriate for comparison purposes.</p> <p>Note that this is not strictly a principle but is included for completeness in describing the matters for which AEMO must have regard.</p>	<p>Note that this is not strictly a principle but is included for completeness in describing the matters for which AEMO must have regard.</p> <p>Other relevant fee structures could include:</p> <ul style="list-style-type: none"> • National Electricity Market (NEM) fee structures for comparable markets or services • Other gas market fee structures such as Western Australia markets or globally • Other gas markets also the subject of this consultation process.

A2. Summary of submissions and AEMO responses

Consulted person	Key points	AEMO response
1. APA	<p>a) Supports Option 1 as the fee structure for the ECGS Reform Program.</p> <ul style="list-style-type: none"> - The new ECGS reporting obligations extend on the GBB reporting. - Option 2 would require additional reporting to be developed and deployed therefore it would not be as simple and costs to create Option 2 would outweigh its benefits. 	<p>Noted.</p> <p>AEMO acknowledges APA's preference to establish a separate fee for the ECGS Reform Program utilising the existing GBB fee structure. However, as identified in section 3.7.3 of the Draft Report, AEMO's assessment on the three options presented has resulted in Option 3 aligning with the NGO and fee structure principles more than Option 1, in particular the cost reflectivity and non-discriminatory fee structure principles.</p> <p>AEMO also notes that while the new ECGS reporting obligations extend on the existing GBB reporting, the objective and function of the ECGS Reform Program as a whole, as summarised in section 2 of this Draft Report, is broader than the objective of the GBB function and therefore recovery of costs from a broader participant base more accurately reflects the reform program's function.</p> <p>AEMO acknowledges that Option 2 would create additional complexity on reporting and data provision and has reflected this in our reassessment of the option in this Draft Report in section 3.7.3.</p>
2. APGA	<p>a) Supports Option 1 for the ECGS Reform Program fee structure.</p> <ul style="list-style-type: none"> - Consistent with the current GBB fee structure framework and should be implemented across the existing registered participants for the GBB. - Pipeline operators being liable in the event of directions by AEMO would be an inefficient cost recovery mechanism for the market and an inefficient outcome for end users. 	<p>Noted. See AEMO's response to 1a).</p> <p>Additionally, AEMO notes that the ECGS Reform Program costs can be recovered from those participants covered under clause 135CA(4)(b)(ia), which is a broader participant base than existing registered participants that are charged for the GBB fee. AEMO is of the view that Option 3 has the ability to capture participants that are involved in the revenue requirements of the ECGS reforms beyond just beneficiaries.</p>

Consulted person	Key points	AEMO response
		<p>Further, relevant entities for whom AEMO has been required to direct may seek direction compensation in accordance with the NGL and NGR. As the costs of directions are recovered via the directions compensation framework these costs are not within the scope of the ECGS Reform Program fee.</p>
<p>3. APLNG</p>	<p>a) Supports maintaining the existing 3-year fee term and 3-year rolling period.</p> <ul style="list-style-type: none"> - APLNG notes that a longer period is not appropriate due to the dynamic regulatory environment including the potential for new reforms to arise from the Government's stage 2 development of the reliability and supply adequacy framework and its future gas strategy. <p>b) Suggests that more can be done to reduce the share of costs to producers for the existing GSOO fee.</p> <ul style="list-style-type: none"> - Notes that Section 91D(1) of the NGL states the objective of the GSOO is to provide information to assist registered participants and other persons in making informed decisions about investment in a natural gas industry. - The GSOO benefits participants across the entire East Coast gas market, including wholesale market participants, similar to the GBB. 	<p>Noted.</p> <p>As outlined in section 3.1 of this Draft Report, AEMO proposes to maintain status quo for the fee structure term. However, AEMO has proposed to remove the three-year rolling period as this aligns more consistently with the NGO and fee structure principles for the next fee determination period.</p> <p>AEMO acknowledges APLNG's proposal to reduce the share of costs to producers to less than 30%.</p> <p>AEMO notes that allocation to wholesale gas market participants would result in geographical discrimination between retail customers (some consumers have the potential for pass through of GSOO fees while others do not) which is inconsistent with the NGO.</p> <p>As outlined in section 3.4 of this Draft Report, AEMO notes that during the consultation process for the current fee period determination, analysis was undertaken that reduced the share of costs proposed to be allocated to producers from 50% (in AEMO's Draft Determination) to 30% (Final Determination). Further, with the additional information requirements to improve transparency in the gas market introduced since the 2021 Final Determination, AEMO does not believe a change to the cost allocation of the GSOO fee is warranted at this stage. AEMO will continue to monitor the GSOO function ahead of the next gas fee structure review.</p>

Consulted person	Key points	AEMO response
	<p>c) Proposes that the GBB fee should be allocated to a broader range of market participants with producers allocated no more than 30% of costs.</p> <ul style="list-style-type: none"> - APLNG state that the GBB is designed to facilitate trade and provide market participants with access to information to make informed and efficient decisions on the provision and use of gas and natural gas services and information published, benefiting a broad range of participants across East Coast gas market. <p>The volume produced to meet LNG export demand should be excluded from the calculation used to allocate GBB fees as LNG export customers do not benefit from the GBB information.</p> <p>d) Supports Option 2 for the ECGS Reform Program fee structure and note the following:</p> <ul style="list-style-type: none"> - Producers derive limited (if any) benefit from the reforms so should not be charged. - As part of this option, gas consumption related to LNG exports should be excluded from the calculation base as LNG export customers do not benefit from the reforms. - APLNG seeks clarity on whether costs incurred by the wholesale energy market dispute resolution adviser and dispute resolution panel will be recovered as part of the ECGS reforms or another mechanism in the absence of a final rule for the AEMC's rule change (Rule 706(5) of the NGR states costs are to be borne by AEMO unless there is reallocation due to unreasonably prolonged proceedings). 	<p>AEMO acknowledges APLNG's proposal.</p> <p>However, as outlined in section 3.6 and similarly to the GSOO fee, AEMO does not believe a change to the cost allocation of the GBB fee is warranted at this stage as additional information requirements have been introduced to improve transparency in the gas market since AEMO's Final Determination for the 2021 Fee structure.</p> <p>Additionally, while APLNG is of the view that LNG export customers do not benefit from the GBB information, they are required to provide input to the GBB so do have some involvement or interaction with the function. Therefore, AEMO does not propose to exclude them from the GBB fee structure. AEMO will continue to monitor the GBB function for the next gas fee structure review.</p> <p>Noted.</p> <p>As outlined in section 3.7.3 of this Draft Report, AEMO has included an Option 3 for the ECGS Reform Program fee structure that mirrors the existing GSOO fee structure and believes it balances all fee structure principles, as well as the NGO, more than Option 2.</p> <p>Additionally, the cost reflectivity or involvement fee principle requires broader consideration of capturing those that not only benefit from the reform, as outlined in Appendix A1, and therefore it is appropriate that all producers, are charged for the ECGS Reform Program. As outlined in section 3.7.4, this approach also ensures costs are ultimately recovered from all end-use consumers.</p> <p>AEMO notes that currently rules 135C and 706(5) of the NGR allow for the costs of the dispute resolution adviser and the dispute resolution panel, and borne by AEMO, are recovered</p>

Consulted person	Key points	AEMO response
		<p>through participant fees. However, the AEMC are currently undertaking a consultation on the compensation and dispute resolution frameworks ²⁹ that is expected to include determining how these costs are recovered. Should the AEMC's rule change process determine that costs are to continue to be recovered through participant fees, these costs will be recovered through the ECGS Reform Program fee.</p> <p>The timing of the two processes is expected to provide for sufficient time for stakeholders to understand any costs that may be incorporated into the ECGS Reform Program fee on its commencement.</p>
<p>4. Origin Energy</p>	<p>a) Supports Option 1 for the ECGS Reform Program fee structure.</p> <ul style="list-style-type: none"> - The relatively low materiality of fees and benefits of simplicity using an existing framework and processes outweigh other considerations. 	<p>Noted. See AEMO responses to 1a) and 2a).</p>
<p>5. Shell Energy</p>	<p>a) Supports Option 2 for the ECGS Reform Program fee structure and noted the following.</p> <ul style="list-style-type: none"> - Export facilities should be excluded from the recovery of fees. - Additional information from shippers is not required as shippers aren't beneficiaries of the reforms (and shouldn't be charged for the reforms). - AEMO has access to the necessary information required to implement the approach otherwise. 	<p>Noted. See AEMO response to 3d).</p> <p>As outlined in section 3.7.4 of the Draft Report, AEMO proposes that deliveries to LNG export facilities are included in the ECGS Reform Program fee recovery as this aligns most with the cost reflectivity and non-discriminatory fee structure principles.</p> <p>AEMO acknowledges Shell Energy's comment relating to AEMO's access to the information required to implement Option 2. As outlined in sections 3.7.3 and 3.7.4 of this Draft Report, AEMO would require data at the shipper level for this option, and as this information is not available to AEMO, AEMO would need to rely on obtaining this additional information from pipeline operators, which would lead to a more complex approach than Option 3.</p>

²⁹ Consultation on Compensation and Directions Framework rule change process. Available on the AEMC's website: [Compensation and dispute resolution frameworks | AEMC](#)

A3. Registered participants

Below is a summary of existing registered participants in each of AEMO's gas markets and functions.

Market	Registered participants
DWGM	<p>Market participant</p> <ul style="list-style-type: none"> • Retailer • Trader • Producer • Storage provider • Distribution customer • Transmission customer <p>Other participant roles</p> <ul style="list-style-type: none"> • Declared transmission system service provider (DTSSP) • Interconnected transmission pipeline services provider (ITPSP) • Distributor • Producer • Storage provider • Transmission customer
STTM	<p>STTM market participants</p> <ul style="list-style-type: none"> • STTM Shippers • STTM user
Retail	<p>NSW / ACT</p> <ul style="list-style-type: none"> • Network operator • Retailer • Self contracting user <p>QLD</p> <ul style="list-style-type: none"> • Distributor • Retailer • Self contracting user <p>SA</p> <ul style="list-style-type: none"> • Network operator • network operator (Mildura region) • Retailer • Self contracting user • Transmission system operator • Shipper <p>VIC</p> <ul style="list-style-type: none"> • Transmission system service provider • Distributor • Market participant - retailer • Market participant – other

Market	Registered participants
GBB	BB participants <ul style="list-style-type: none"> • BB reporting agent • BB reporting entity • BB shipper • Production facility • Transmission pipeline • Storage facility
PCT	<ul style="list-style-type: none"> • Trading participants • Part 24 Facility Operator • Part 25 Day ahead auction – Auction Participant
ECGS	<ul style="list-style-type: none"> • a Registered participant • an exempted participant • a producer who injects natural gas into the east coast gas system • a person who buys or sells natural gas in the east coast gas system • a gas powered generator • a storage provider whose storage facility is connected to the east coast gas system • a person who provides pipeline, transport, compression or other related services in, into or out of the east coast gas system