

# FINAL REPORT: AEMO GAS MARKET FEE METHODOLOGY

DATE APPLICABLE: 1 JULY 2015 TO 30 JUNE 2018

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# CHAPTER 1 – FINAL REPORT OVERVIEW

AEMO has completed the review of the structure of participant fees in AEMO’s gas markets to apply from 1 July 2015.

The review applied to the methodology in regard to the structure of fees. The actual amount charged for each fee will be determined on an annual basis via the AEMO budgeting process.

AEMO conducted two stages of consultation with stakeholders and has published all submissions it received in response to these consultations on its website.

AEMO has taken into consideration the submissions made when preparing this final report.

## 1.1 Key information

Purpose	<ul style="list-style-type: none"> <li>To present the final fee structures in each of the gas functions covered in the consultation.</li> </ul>																
Date applicable	1 July 2015																
Gas functions covered in the review.	<ul style="list-style-type: none"> <li>Victorian Declared Wholesale Gas Market (DWGM)</li> <li>Short Term Trading Market (STTM)</li> <li>Full Retail Contestability (FRC) Gas Markets in:                             <ul style="list-style-type: none"> <li>Victoria</li> <li>NSW</li> <li>Queensland</li> <li>South Australia</li> </ul> </li> <li>Gas Statement of Opportunities (GSOO)</li> <li>Gas Bulletin Board <sup>^</sup></li> </ul> <p><sup>^</sup> The Gas Bulletin Board fee methodology is prescribed in the National Gas Rules (NGR) which falls out of scope for this 1 July 2015 applicable date.</p>																
Consultation Process overview	<p>The consultation process undertaken by AEMO for the review of participant fees in its gas markets followed the extended consultative procedure in the NGR.</p> <table border="1"> <thead> <tr> <th><i>Milestone</i></th> <th><i>Publication date</i></th> <th><i>Submissions close</i></th> <th><i>Comments</i></th> </tr> </thead> <tbody> <tr> <td>Issues paper</td> <td>11 September 2014</td> <td>17 October 2014</td> <td>5 submissions received.</td> </tr> <tr> <td>Draft Report</td> <td>22<sup>nd</sup> December 2014</td> <td>27 January 2015</td> <td>2 submissions received.</td> </tr> <tr> <td>Final Report</td> <td>31 March 2015</td> <td>Not Applicable.</td> <td>N/A.</td> </tr> </tbody> </table>	<i>Milestone</i>	<i>Publication date</i>	<i>Submissions close</i>	<i>Comments</i>	Issues paper	11 September 2014	17 October 2014	5 submissions received.	Draft Report	22 <sup>nd</sup> December 2014	27 January 2015	2 submissions received.	Final Report	31 March 2015	Not Applicable.	N/A.
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Duration of new structure	3 years	
Rolling Break-even period	3 years	
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## 1.2 Guiding principles

In determining the fee structure, AEMO must have regard to a number of principles that are prescribed in the NGR.

Principle
<ul style="list-style-type: none"> <li>Fees and charges are to be determined on a non-profit basis that provides for full cost recovery.</li> <li>The structure of the participant fees should be simple.</li> <li>Participant fees should not unreasonably discriminate against a category or categories of registered participants.</li> <li>The components of participant fees charged to each registered participant should be reflective of the extent to which AEMO's budgeted revenue requirements involve that registered participant.</li> <li>The structure of the participant fees should provide for the recovery of AEMO's budgeted revenue requirements on a specified basis.</li> </ul>

The principles may often be competing, for example a strong cost-reflective (user pays) structure is unlikely to be simple. AEMO's objective is to find a balance between any competing principles.



### 1.3 Summary of key changes in the final fee structure to the existing structure

The table below summarises final changes to the existing gas fee structures of each function.

Function	Final fee structure to commence 1 July 2015
Victorian Declared Wholesale Gas Market	No change to the existing fee structure.
Short Term Trading Market	The daily fixed fee component is proposed to be removed from the fee structure and recovered within the activity fee.
<b>FRC Gas Markets</b> <ul style="list-style-type: none"> <li>• Victorian FRC Gas Market</li> <li>• NSW/ACT FRC Gas Market</li> <li>• Queensland FRC Gas Market</li> <li>• South Australian FRC Gas Market</li> </ul>	<p>The current NSW/ACT FRC fee structure differs from the Victorian, Queensland and South Australia FRC fee structures. This difference has been historically retained as the services that AEMO provides to the NSW/ACT FRC market differs to the services provided to the Victorian, Queensland and South Australian FRC markets.</p> <p>AEMO’s current project to harmonise the Business to Business (B2B) processes in the NSW/ACT FRC gas market with the other FRC gas markets will result in AEMO’s services being largely similar across all FRC gas markets. As a result, a consistent, simple fee structure across all FRC gas markets should also reflect this.</p> <p>Stakeholder submissions supported this view.</p> <p>The change to align the NSW/ACT fee structure to that of the Victorian, Queensland and South Australian fee structures will become effective from the commencement of the financial year following the completion of the NSW/ACT B2B harmonisation project.</p> <p>The actual amount of the fees for each individual FRC gas market will continue to be independently calculated and charged.</p>
Gas Statement of Opportunities	No change to existing fee structure.
Gas Bulletin Board	No change. The Gas Bulletin Board fee structure is prescribed in the National Gas Rules (NGR).



# CHAPTER 2 – FINAL GAS MARKET FEE METHODOLOGIES

## 2.1 Period of fee methodology

This new fee structure has a duration of 3 years, from 1 July 2015 to 30 June 2018.

AEMO considers this time frame provides an appropriate balance between providing participants with some certainty around the fee structure and having the ability to respond to a changing environment.

## 2.2 Break-even period to recover costs

A rolling cost recovery/break-even period of three years will be used to calculate fees for the gas functions covered in this consultation.

AEMO considers that a rolling three year break-even period is the most appropriate in order to align with the proposed duration of the fee structure, while providing a balance between reducing year to year variability and maintaining a user pays principle.

## 2.3 Victorian Declared Wholesale Gas Market (DWGM)

**Table 1 DWGM final fee methodology**

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



## 2.4 Short Term Trading Market (STTM)

Table 2 STTM final fee methodology

Fee	Who pays	How fee is applied	
<b>Activity Fee</b>	Each STTM Shipper and STTM User who withdraws gas at any STTM Hub	A flat rate (\$ per GJ) for the actual quantities of gas withdrawn daily at the relevant STTM Hubs by the Registered trading participant (ABN)	\$/GJ withdrawn per day per hub per ABN
<b>Participant Compensation Fund</b>	Each market participant who withdraws gas, or whose customers withdraw gas, from a hub	A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from a hub.	\$/GJ withdrawn per hub per ABN

## 2.5 AEMO's FRC gas markets

The FRC gas markets cover the following functions:

- Victorian FRC gas market
- Queensland FRC gas market
- South Australia FRC gas market
- New South Wales/Australian Capital Territory FRC gas market

### 2.5.1 Victorian Full Retail Contestability Gas Market

Fee	Who pays	How fee is applied	
<b>FRC tariff</b>	Victorian FRC gas market participants who are retailers.	A flat rate	\$ per customer supply point
<b>Initial registration fee</b>	Each new Victorian FRC gas market participant who is registering in the category of Market Participant – Retail or Market Participant – Other.	A once-off fee (\$) at a set amount.	

### 2.5.2 Queensland Full Retail Contestability Gas Market

Fee	Who pays	How fee is applied	
<b>FRC tariff</b>	Queensland FRC gas market participants who are retailers.	A flat rate	\$ per customer supply point
<b>Initial registration fee</b>	Each new Queensland FRC gas market user and self-contracting user.	A once-off fee (\$) at a set amount.	



### 2.5.3 South Australia Full Retail Contestability Gas Market

Fee	Who pays	How fee is applied	
<b>FRC tariff</b>	South Australian FRC gas market participants who are retailers.	A flat rate	\$ per customer supply point
<b>Initial registration fee</b>	Each new South Australian FRC gas market user and self-contracting user.	A once-off fee (\$) at a set amount.	

### 2.5.4 NSW/ACT FRC gas market – prior to the completion<sup>1</sup> of the NSW/ACT B2B harmonisation project

Fee	Who pays	How fee is applied	
<b>Standing charge</b>	NSW/ACT gas market user and network operator.	The amount to be recovered is calculated as 10% of the total revenue requirement. The fee is applied equally to gas market user and network operator.	
<b>Transaction fee</b>	NSW/ACT gas market users on the following basis:  Participant transaction count/total market DPI count.	The amount to be recovered is calculated as X% of the total revenue requirement where:  $X = 4.5 * 12(\text{total transaction rate})$ where:  Total transaction rate = total transaction count/total market DPI count  X is capped at 45%.	
<b>Market share fee</b>	NSW/ACT gas market users on the following basis:  Participant DPI count/total market DPI count.	The charge is the remaining amount to be recovered (i.e. 45% of total revenue requirement) after the standing charge and the transaction fee (i.e. total revenue requirement 10% standing charge, less 45% transaction fee, less X%).	

### 2.5.5 NSW/ACT FRC gas market – effective from the commencement of the financial year following the completion<sup>1</sup> of the NSW/ACT B2B harmonisation project.

Fee	Who pays	How fee is applied	
<b>FRC tariff</b>	NSW FRC gas market participants who are retailers.	A flat rate	\$ per customer supply point
<b>Initial registration fee</b>	Each new NSW FRC gas market user and self-contracting user.	A once-off fee (\$) at a set amount.	

<sup>1</sup>The date on which the NSW & ACT Retail Market procedures as amended for the NSW/ACT B2B harmonisation project are to take effect.





## 2.6 Gas Statement of Opportunities

Table 3 GSOO proposed fee methodology

Fee	Who pays	How fee is applied	
<b>GSOO tariff</b>	Retailers and users, excluding self-contracting users in the Victorian, NSW/ACT, Queensland and South Australian FRC gas markets.	A flat rate	\$ per customer supply point

## 2.7 Gas Bulletin Board

Fee	Who pays	How fee is applied
<b>Bulletin Board charges</b>	Shippers	Total flows shipped by the shipper against Total flows shipped in the market (%) X Annual budget revenue requirement.



## CHAPTER 3 – SUBMISSIONS RECEIVED FROM DRAFT REPORT

### 3.1 List of submissions received on the Draft Report

Two submissions were received to the Draft Report. The respondents were:

- AGL
- APA Group on behalf of Australian Gas Networks Ltd.

These submissions are published on AEMO’s website along with submissions on the Initial Consultation paper.

Summarised below in Table 5 are respondent’s comments on the Draft Report.

**Table 4 Submissions comment on the Draft Report**

Issue	Respondent	Response
STTM fee structure – removal of the daily fixed component	AGL	Support the daily fixed cost to be removed and merged into the STTM activity fee.
Consolidation of STTM and DWGM fees	AGL	Support AEMO’s position to not merge the DWGM and STTM fees into a single fee.
Structure of the NSW/ACT FRC fees	AGL  APA Group on behalf of Australian Gas Networks Ltd.	Supports the harmonisation of gas FRC fee structures after the current B2B system project becomes operational.  If FRC fee structures are to be harmonised, the fee structures in South Australia, Victoria and Queensland should also be adopted in NSW.



## APPENDIX A – CURRENT GAS FEE STRUCTURES

The existing gas fee structures for each gas market under consultation is tabled below for your information.

### A.1 Victorian Declared Wholesale Gas Market

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

### A.2 Short Term Trading Market

Fee	Who pays	How fee is applied	
<b>Activity Fee</b>	Each STTM Shipper and STTM User who withdraws gas at any STTM Hub	A flat rate (\$ per GJ) for the actual quantities of gas withdrawn daily at the relevant STTM Hubs by the Registered trading participant (ABN)	\$/GJ withdrawn per day per hub per ABN
<b>Fixed Fee</b>	All STTM Shippers and STTM Users	A flat rate (\$) per day, per hub, per ABN, for each day or part thereof that the person is registered as a Trading Participant	\$/day per hub per ABN
<b>Participant Compensation Fund</b>	Each market participant who withdraws gas, or whose customers withdraw gas, from a hub	A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from a hub.	\$/GJ withdrawn per hub per ABN



### A.3 Victorian Full Retail Contestability Gas Market

Fee	Who pays	How fee is applied	
<b>FRC tariff</b>	Victorian FRC gas market participants who are retailers.	A flat rate	\$ per customer supply point
<b>Initial registration fee</b>	Each new Victorian FRC gas market participant who is registering in the category of Market Participant – Retail or Market Participant – Other.	A once-off fee (\$) at a set amount.	

### A.4 Queensland Full Retail Contestability Gas Market

Fee	Who pays	How fee is applied	
<b>FRC tariff</b>	Queensland FRC gas market participants who are retailers.	A flat rate	\$ per customer supply point
<b>Initial registration fee</b>	Each new Queensland FRC gas market user and self-contracting user.	A once-off fee (\$) at a set amount.	

### A.5 South Australia Full Retail Contestability Gas Market

Fee	Who pays	How fee is applied	
<b>FRC tariff</b>	South Australian FRC gas market participants who are retailers.	A flat rate	\$ per customer supply point
<b>Initial registration fee</b>	Each new South Australian FRC gas market user and self-contracting user.	A once-off fee (\$) at a set amount.	



## A.6 NSW/ACT Full Retail Contestability Gas Market

Fee	Who pays	How fee is applied
<b>Standing charge</b>	NSW/ACT gas market user and network operator.	The amount to be recovered is calculated as 10% of the total revenue requirement. The fee is applied equally to gas market user and network operator.
<b>Transaction fee</b>	NSW/ACT gas market users on the following basis:  Participant transaction count/total market DPI count.	The amount to be recovered is calculated as X% of the total revenue requirement where:  $X = 4.5 * 12(\text{total transaction rate})$ where:  Total transaction rate = total transaction count/total market DPI count  X is capped at 45%.
<b>Market share fee</b>	NSW/ACT gas marker users on the following basis:  Participant DPI count/total market DPI count.	The charge is the remaining amount to be recovered (i.e. 45% of total revenue requirement) after the standing charge and the transaction fee (i.e. total revenue requirement 10% standing charge, less 45% transaction fee, less X%).

## A.7 Gas Statement of Opportunities

Fee	Who pays	How fee is applied
<b>GSOO tariff</b>	Retailers and users, excluding self-contracting users in the Victorian, NSW/ACT, Queensland and South Australian FRC gas markets.	A flat rate  \$ per customer supply point

## A.8 Gas Bulletin Board

Fee	Who pays	How fee is applied
<b>Bulletin Board charges</b>	Shippers	Total flows shipped by the shipper against Total flows shipped in the market (%) X Annual budget revenue requirement.  Market share % X revenue requirement.