

Gas Fee Structures Review

Draft Report summary for the GWCF
10 Dec 2020

Introduction & Context

- AEMO is aware of the economic challenges confronting both consumers and market participants.
- AEMO's Draft Report outlines its proposed position on how Gas market fees will be allocated. Submissions are due by 4 February 2021.
- We agree that costs and budgets to operate the market is a critical issue for all stakeholders and AEMO is undertaking other initiatives, in parallel to this consultation, to address these concerns.

Initiatives to address costs and market fees

AEMO is undertaking a transformational activity to reduce its operating expenses and improve our service to members, improve our operating practices, increase our use of digital technology and attract and retain the best talent we can to ensure enduring value to members and consumers

- AEMO has already reduced this years' budget following stakeholder feedback.
- AEMO has engaged Ernst and Young in a comprehensive efficiency, cost and operating review.
- AEMO will be providing stakeholders the opportunity for earlier input into its annual budget processes.
- AEMO is committed to uplift our engagement model to enable increased participation, collaboration, and co-operation with our stakeholders.
- AEMO is reviewing AEMO's business structure and financial model, including a review of the system operator scope, legal structure, funding and regulatory models.

Review summary

Scope and approach

Scope

- Stakeholder views sought on fee structures to apply from 1 July 2021 for participant fees and PCT fees:
 - Participant fees:
 - Declared Wholesale Gas Market (DWGM)
 - 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)
 - Operational Transportation Service (OTS) Code Panel.

Approach

Consultation Paper (released Aug 2020)

- Identification of issues and alternative approaches
 - To understand potential for fee structure improvements
- Consultation on issues established in Consultation Paper
 - To gain insight into stakeholder positions
 - Five submissions were made.

Draft Report

- Incorporation of stakeholder feedback
 - To ensure stakeholder views taken into account
- Assessment against Fee Structure Principles
 - To assess the extent to which options and the status quo have regard for Rule requirements
- Identification of proposed option for stakeholder consultation
 - To detail any alternative option proposed and provide supporting rationale for comment by stakeholders.

Review summary

Fee Structure Principles

Fee Structure Principles

National Gas Objective (NGO)

- ...“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.”

Simplicity

- The fee structure must be simple.

Reflective of involvement

- 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

Non-discriminatory

- Fee structure should not discriminate unreasonably against a category or categories of registered participants.

Comparability

- AEMO must have regard to other fee structures that AEMO thinks appropriate for comparison purposes.

Proposed changes

The five changes to fee structures and the underlying rationale

Proposed change	Rationale summary
1. Registration fees for DWGM and STTM Introduce upfront registration fees into the DWGM and STTM gas wholesale markets.	<ul style="list-style-type: none"> To enhance regard for the reflective of involvement principle by ensuring that registration costs are recovered from those participants driving AEMO's registration costs; To introduce a price signal for all registrations to mitigate the inefficiencies of progressing registrations which are later withdrawn.
2. Disaggregation of registration fees by participant category and market Disaggregate registration fees by registrable capacity in each market to be more reflective of involvement (and by extension transparent)	<ul style="list-style-type: none"> To be more reflective of involvement and by extension improving transparency To be comparable with the NEM.
3. Disaggregation of PCT fees into component services Disaggregate fees for transportation services traded on the CTP and DAA into compression service fees and transmission service fees.	<ul style="list-style-type: none"> To more efficiently apply fees for use of the CTP and DAA. To increase utilisation of the PCT, particularly compression services, this should: <ul style="list-style-type: none"> increase realisation of PCT efficiency objectives, and ultimately reduces the prices. Increase PCT fee revenue
4. Introduction of PCT 'deficit safety net' Retain the status quo for recovery of PCT fees, but introduce a 'deficit safety net' of \$900,000, giving AEMO the right to recover any amount exceeding this threshold from the DWGM and STTM wholesale markets.	<ul style="list-style-type: none"> To allow AEMO to recover these costs from other markets should it not recover its full costs through fees levied on trades in the PCT markets. Note that this is a safety net only and threshold would not be materially exceeded based on current performance.
5. GSOO fees – shared recovery Recover GSOO fees on the basis of 50% from producers on a \$/GJ produced basis; and 50% from retailers on a \$ / supply point basis.	<ul style="list-style-type: none"> To broaden the recovery base from just retailers Better reflecting the inputs into, and broader benefits of, the GSOO Recovery that wholly accounts for activity in the gas market, with a more proportionate potential for pass through to users

Consultation process

AEMO welcomes feedback on the positions in the Draft Report

Key dates

Milestone	Date
Draft Report & Notice of second stage consultation published	Monday, 16 Nov 2020
Submissions on Draft Report due	Thursday, 4 Feb 2021
Final Report published	Thursday, 18 Mar 2021
Final Report required (no later than)	Wednesday, 31 Mar 2021
New fee structures take effect	Thursday, 1 Jul 2021

Inquiries

- Inquiries and/or meeting requests should be directed to:
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Submissions

- Due 5.00pm Thursday, 4 February 2021
- To StakeholderRelations@aemo.com.au