



QUEENSLAND GAS FULL
RETAIL CONTESTABILITY GAS
FINAL BUDGET AND FEES:
2016-17

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EXECUTIVE SUMMARY

1.1 Introduction

AEMO operates on a cost recovery basis as a company limited by guarantee under the Corporations Act (2001). AEMO fully recovers its operating costs through fees paid by participants.

AEMO has a broad range of functions and each is underpinned by a fee structure developed in consultation with stakeholders and in line with national gas rules. The fee structures detail how AEMO will calculate fees and who will be charged. The current participant fee determination for AEMO's gas markets is from 1 July 2015 to 30 June 2018.

AEMO's annual budget sets out the amounts that will be charged under these fee structures.

The budget provides a view of the 2016-17 Queensland gas revenue and expenses, and estimates for the following four-year period.

1.2 Key messages

In budgeting for 2016-17, AEMO has applied strong commercial discipline to control costs, where possible, to reduce the impact of fee increases to market participants. As a result, there are minimal fee increases (or decrease in fees) for participants.

Fee	Actual 2014-15	Actual 2015-16	Budget 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21
FRC Fee (\$ per customer supply point per month)	0.30805	0.30805 +0%	0.26184 -15%	0.22256 -15%	0.18918 -15%	0.18918 +0%	0.18918 +0%
Initial Registration Fee (\$ per participant)	5,760	5,760	5,760	TBC	TBC	TBC	TBC
Gas Statement of Opportunities (\$ per customer supply point per month)	0.02979	0.02830 -5%	0.03198 +13%	0.03614 +13%	0.04084 +13%	0.04247 +4%	0.04417 +4%
Energy Consumers Australia pass- (\$ per customer supply point per month)	0.02998	0.03114 +4%	0.03183 +2%	TBC	TBC	TBC	TBC

- The Qld Full Retail Contestability (FRC) gas fee decreased in 2016-17 as a result of lower operating costs.
- The Gas Statement of Opportunities (GSOO) fee increased in 2016-17 due to additional modelling work required for the National Gas Forecasting Report (NGFR). This new fee is lower compared to the previous year's published estimate.



1.3 Proposed 2016-17 Fees

Table 1 Proposed fees

Function	Budget 2016-17	Current 2015-16	Change	Prior year published estimate 2016-17	Unit
QLD FRC Gas	0.26184	0.30805	↓ -15%	0.3081	\$ per customer supply point per month
Gas Statement of Opportunities	0.03198	0.02830	↑ 13%	0.03255	\$ per customer supply point/mth
ECA (Gas)	0.03186	0.03114	↑ 2%	N/A	\$ per customer supply point per month

1.4 Contacts

For stakeholder questions regarding the contents of this report, please do not hesitate to contact:

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QUEENSLAND FULL RETAIL CONTESTABILITY GAS

2.1 Fees

The Queensland FRC fee will reduce by 15% in 2016-17, and by a further 15% in the following two years to reflect an accumulated surplus in the function from previous years that needs to be returned to participants.

The fee is then expected to remain flat in the following years after the surplus is fully returned to achieve a break-even position.

Costs for this function have decreased by 29%, mainly due to lower labour resources.

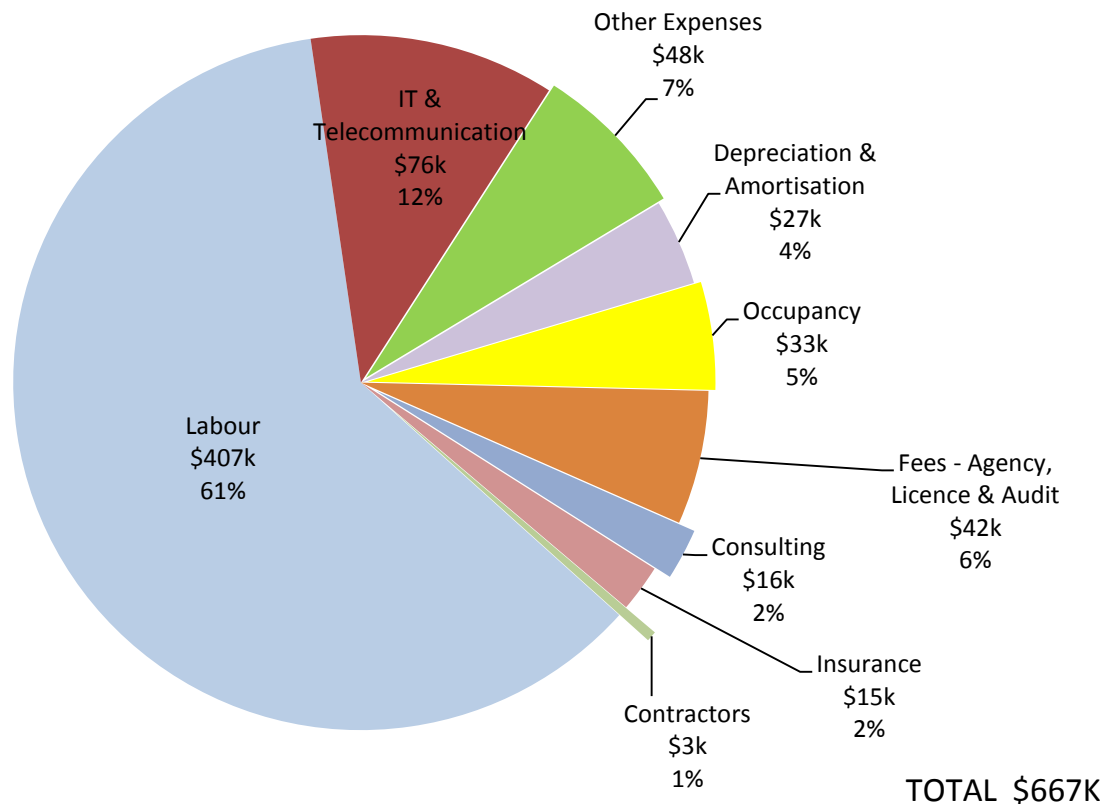
Table 2 Queensland FRC Gas projected fees

Fee	Actual 2015-16	Budget 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21
FRC Fee (\$ per customer supply point per month)	0.30805	0.26184	0.22256	0.18918	0.18918	0.18918
	+0%	-15%	-15%	-15%	+0%	+0%
Initial Registration Fee (\$ per participant)	5,760	5,760	TBC	TBC	TBC	TBC

2.2 Revenue and Expenditure

The expenditure is detailed below in Figure 1 by expenditure category

Figure 1 Expenditure by category 2016-17



**Table 3 Profit and Loss statement 2016-17 and comparison**

	Budget	Forecast	Budget	Variance to Budget	
	2015-16 \$'000	2015-16 \$'000	2016-17 \$'000	\$'000	%
Fees and tariffs	711	711	628	(82)	-12%
Other Revenue	23	23	24	1	+5%
Total Revenue	733	734	652	(81)	-11%
Labour	606	537	407	(199)	-33%
Contractors	2	11	3	1	+51%
Consulting	25	20	16	(10)	-38%
Fees - Agency, Licence & Audit	38	3	42	3	+8%
IT & Telecommunication	102	91	76	(26)	-25%
Occupancy	44	44	33	(11)	-24%
Insurance	20	20	15	(6)	-28%
Other Expenses	61	59	48	(12)	-20%
Depreciation & Amortisation	41	41	27	(14)	-35%
Total Expenditure	940	827	667	(273)	-29%
Surplus/(Deficit)	(207)	(93)	(15)	192	
Brought Forward Surplus/(Deficit)	730	766	674	(56)	
Accumulated Surplus/(Deficit)	523	674	659		

Key Points:

- Revenue for 2016-17 is estimated to be \$0.1M (11%) lower than the 2015-16 budget.
- Expenditure for 2016-17 is estimated to be \$0.3M (29%) lower than 2015-16 budget. This is mainly due to:
 - **Labour costs (-\$0.2M)**
Labour costs budgeted are to decrease in 2016-17 due to lower resources allocated to this function.
 - **IT and Telecommunication (-\$0.03M)**
IT Telecommunication costs are budgeted to decrease in 2016-17 due to a decrease in software purchases and reduced telecommunication costs after renegotiations of Optus and Telstra agreements.



GAS STATEMENT OF OPPORTUNITIES

3.1 Fees

GSOO costs are recovered through charges to retailers in AEMO’s FRC gas markets on a fee per meter basis.

Costs for this function have increased due to additional modelling work required for the National Gas Forecasting Report (NGFR).

The 2016-17 fee is lower than the fee estimated as part of the 2015-16 budget process.

Table 4 Gas SOO projected fees

Fee	Actual 2015-16	Budget 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21
Gas Statement of Opportunities	0.02830	0.03198	0.03614	0.04084	0.04247	0.04417
(\$ per customer supply point per month)		+13%	+13%	+13%	+4%	+4%



ENERGY CONSUMERS AUSTRALIA

In May 2014 the Council of Australian Governments (COAG) Energy Council approved establishment of Energy Consumers Australia (ECA) to promote the long term interests of energy consumers, in particular residential and small business customers.

AEMO is required to recover ECA funding from market participants. This ECA fee has replaced the Consumer Advocacy Panel (CAP) fee.

The ECA start date was 30 January 2015.

Table 5 reflects the fees to be collected for 2016-17.

Table 5 ECA projected fees

ECA Fees	Actual 2015-16	Budget 2016-17
Gas (\$ / customer supply point per month)	0.03114 +4%	0.03183 2%



LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
AEMO	Australian Energy Market Operator
COAG	Council of Australian Governments
ECA	Energy Consumers Australia
FRC	Full Retail Contestability
GSOO	Gas Statement of Opportunities
NA	not applicable
QLD	Queensland
TBC	to be confirmed

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