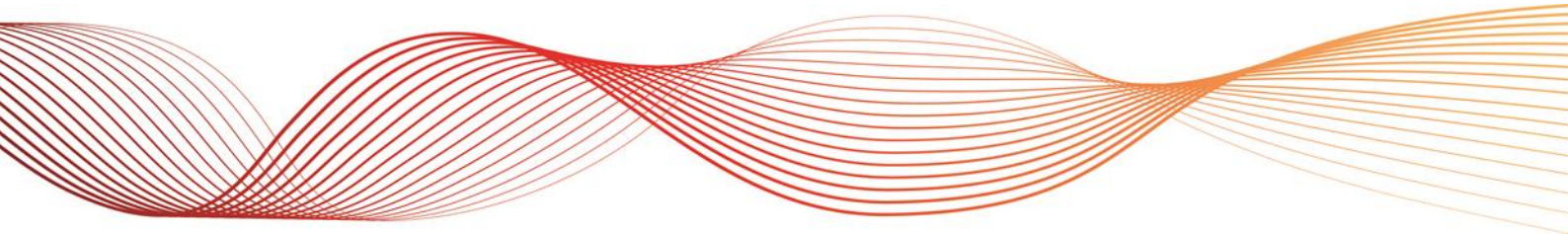




# VICTORIAN ELECTRICITY TRANSMISSION SYSTEM FINAL BUDGET AND FEES 2016-17

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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.

The 2016-17 Victorian Electricity Transmission System (TNSP) budget provides information on the revenue required to recover the costs of this function. In budgeting for 2016-17, AEMO has continued to apply strong commercial discipline to control costs to reduce the impact of fee increases to market participants.

The Transmission Use of System Charge (TUOS) revenue is calculated on an annual break-even basis, predominantly influenced by network charges billed by the Victorian electricity transmission network owners.

## 1.2 Budget 2016-17

Fee	Actual 2013-14 (\$'000)	Actual 2014-15 (\$'000)	Actual 2015-16 (\$'000)	Budget 2016-17 (\$'000)	Estimate 2017-18 (\$'000)	Estimate 2018-19 (\$'000)
TUOS fees	453,787	501,699	512,354	496,548	512,385	TBC
	-13%	+2%	+2%	-3%	+3%	

## 1.3 Contacts

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

<p>Mr Jack Fitcher Chief Financial Officer Australian Energy Market Operator Level 22, 530 Collins St Melbourne Vic 3000 Phone: 03 9609 8506 Email: <a href="mailto:Jack.Ficher@aemo.com.au">Jack.Ficher@aemo.com.au</a></p>	<p>Ms Sandra Chui Group Manager, Commercial Services Australian Energy Market Operator Level 22, 530 Collins St Melbourne Vic 3000 Phone: 03 9609 8623 Email: <a href="mailto:Sandra.Chui@aemo.com.au">Sandra.Chui@aemo.com.au</a></p>
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## 2. TUOS REVENUE REQUIREMENT

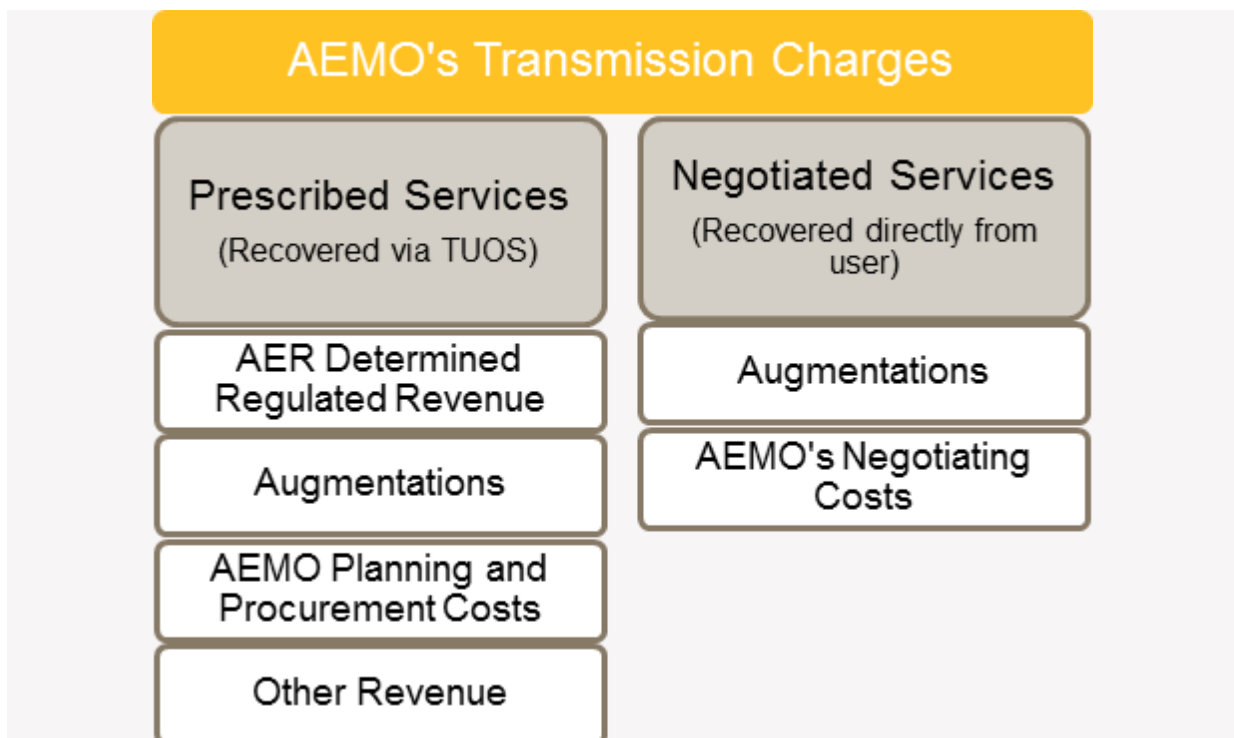
### 2.1 Overview of TUOS revenue calculation

The TUOS revenue is calculated in accordance with the revenue methodology for the Victorian Electricity Transmission Network.

TUOS revenue is calculated on an annual break-even basis and is mainly influenced by network charges billed by Victorian electricity transmission network owners and estimations of settlement residue receipts.

Figure 1 provides an overview of AEMO's transmission charges in accordance with its revenue methodology.

**Figure 1 Overview of AEMO's Transmission Charges**



## 2.2 Fees

TUOS revenue is budgeted to decrease by \$15.8M (3%) in 2016-17. This decrease in fees is primarily due to higher inter-regional TUOS receipts (\$17.7M), which is partially offset by the recovery of the 2015-16 forecast deficit, resulting from negative settlement residue (\$4.9M).

Inter-regional TUOS charges were implemented on 1 July 2015 under the National Electricity Rules. These charges were published by all TNSPs by 15 March 2016, and in future years are due to be published by 15 February.

To determine the annual TUOS revenue requirement, AusNet Services regulated network charges make up most costs in this function. In 2013-14 the Australian Energy Regulator (AER) approved AusNet Services' revenue determination for the period 1 April 2014 to 31 March 2017.

The estimated 2017-18 TUOS revenue requirement is based on an estimate as AusNet Services' revenue determination for the period of 1 April 2017 to 31 March 2022 is due to be approved early in the 2017 calendar year by the AER.

**Table 1 VIC TNSP projected total revenue**

Fee	Actual 2015-16 (\$'000)	Budget 2016-17 (\$'000)	Estimate 2017-18 (\$'000)	Estimate 2018-19 (\$'000)	Estimate 2019-20 (\$'000)	Estimate 2020-21 (\$'000)
TUOS fees	512,354 +2%	496,548 -3%	512,385 +3%	TBC	TBC	TBC

## 2.3 Revenue and expenditure

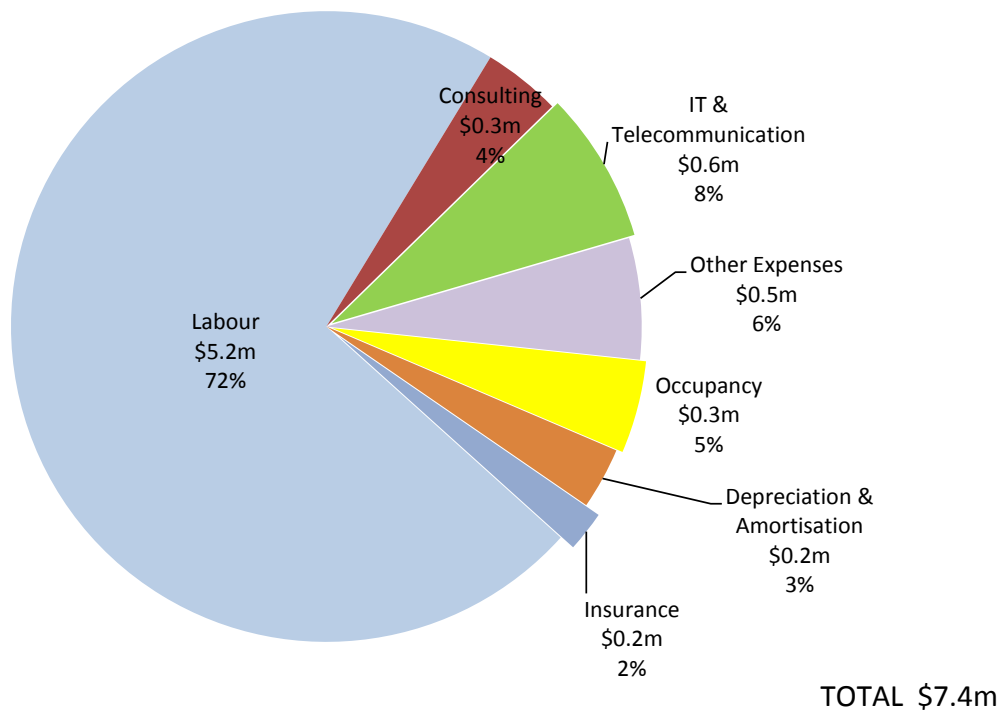
The 2016-17 TUOS revenue calculation is detailed in Table 3 below.

**Table 2 Calculation of TUOS revenue**

TUOS Revenue Requirement	Budget 2016-17 \$'000
<b><u>Expenditure</u></b>	
Network charges:	
Victorian network charges	552,882
Inter-Regional TUOS	(12,871)
	540,011
AEMO Planning & Procurement Costs	7,350
<b><u>Less: Other Revenue</u></b>	
Settlement Residue	(26,594)
Other Revenue	(26,456)
<b><u>Add:</u></b>	
Net Brought Forward Decifit	2,237
<b>TUOS Revenue Requirement</b>	<b>496,548</b>

AEMO’s planning and procurement costs of \$7.4m are detailed below in Figure 2.

**Figure 2 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	%
TUOS fees	512,354	512,354	496,548	(15,806)	-3%
Settlement Residue	28,693	25,080	26,594	(2,100)	-7%
Other Revenue	23,718	23,311	26,456	2,738	+12%
<b>Total Revenue</b>	<b>564,766</b>	<b>560,744</b>	<b>549,598</b>	<b>(15,167)</b>	<b>-3%</b>
Network Charges	(549,920)	(548,193)	(540,011)	9,909	-2%
<b>Net Revenue</b>	<b>14,845</b>	<b>12,551</b>	<b>9,587</b>	<b>(5,259)</b>	<b>-35%</b>
Labour	5,491	5,801	5,250	(241)	-4%
Contractors	17	91	33	16	+96%
Consulting	798	677	291	(508)	-64%
Fees - Agency, Licence & Audit	22	23	30	8	+36%
IT & Telecommunication	636	588	566	(70)	-11%
Occupancy	351	374	346	(5)	-1%
Insurance	162	171	152	(10)	-6%
Other Expenses	517	531	452	(64)	-12%
Depreciation & Amortisation	302	320	230	(72)	-24%
<b>Total Expenditure</b>	<b>8,295</b>	<b>8,575</b>	<b>7,350</b>	<b>(945)</b>	<b>-11%</b>
<b>Surplus/(Deficit)</b>	<b>6,550</b>	<b>3,976</b>	<b>2,237</b>	<b>(4,313)</b>	
Brought Forward Surplus/(Deficit)	(6,077)	(6,213)	(2,237)	3,840	
<b>Accumulated Surplus/(Deficit)</b>	<b>474</b>	<b>(2,237)</b>	<b>0</b>		

**Key Points:**

- Expenditure for 2016-17 is estimated to be \$0.9M (11%) lower than 2015-16 budget. This is mainly due to:
  - **Labour costs (-\$0.2m)**  
Labour costs are budgeted to decrease in 2016-17 due to lower resources allocated to this function.
  - **Consulting costs (-\$0.5m)**  
Consulting costs are budgeted to decrease in 2016-17 mainly due to lower costs on connection projects.



## LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
IR TUOS	Inter-regional Transmission Use of System
TNSP	Transmission Network Service Provider
TUOS	Transmission Use of System
VIC	Victorian
NA	not applicable

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