



# Victorian Electricity Transmission System 2018-19 AEMO Final Budget and Fees

June 2018

Australian Energy Market Operator Limited

# Executive Summary

## Introduction

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

The 2017-18 Victorian Electricity Transmission Network System Provider (TNSP) budget provides information on the revenue required to recover the costs of this function.

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 and by estimations of settlement residue receipts.

AEMO, in line with the National Electricity Rules (NER), has calculated TUOS prices based on approved revenue requirements. These prices are charged in accordance with the AEMO Amended Pricing Methodology, (determination set from 1 July 2014 to 30 June 2019), approved by the Australian Energy Regulator (AER). TUOS prices was published on 15 May 2018.

## 1.1 Contact for inquiries

### AEMO contact for inquiries

For all queries on budget and fees, please contact:

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## 2. Victorian Electricity TNSP

- Purpose of this function
- AEMO provides shared transmission network services to users of the Victorian Transmission System (DTS).
  - These services include the planning of future requirements and procuring of augmentations in the DTS.

Fees

Transmission Use of System (TUOS) fees are calculated on an annual break-even basis and are predominately influenced by network charges billed by the Victorian electricity transmission network owners and by estimations of settlement residue receipts.

The 2018-19 fees are 3% lower than the 2017-18 fees mainly due to returning a current surplus as a result of higher settlement residue revenue.

Forward year estimates have not been made due to the volatility of the factors listed above.

**Table 1 — Projected TUOS Revenue Requirement**

Fee	Actual 2017-18 (\$'000)	Budget 2018-19 (\$'000)	Estimate 2019-20 (\$'000)	Estimate 2020-21 (\$'000)	Estimate 2021-22 (\$'000)	Estimate 2022-23 (\$'000)
TUOS fees	474,580 -4%	462,312 -3%	TBC	TBC	TBC	TBC

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# 3. TUOS Revenue Requirement

## 3.1 Revenue requirement

**Table 1 TUOS projected revenue**

Fee	Actual 2016-17 (\$'000)	Actual 2017-18 (\$'000)	Budget 2018-19 (\$'000)	Estimate 2019-20 (\$'000)	Estimate 2020-21 (\$'000)	Estimate 2021-22 (\$'000)	Estimate 2022-23 (\$'000)
TUOS fees	496,548	474,580	462,312	TBC	TBC	TBC	TBC
	-3%	-4%	-3%				

The 2018-19 TUOS revenue calculation is detailed in Table 2 below.

**Table 2 Calculation of TUOS revenue**

<b>TUOS Revenue Requirement</b>	<b>Budget 2018-19 \$'000</b>
<b><u>Expenditure</u></b>	
Network charges:	
Victorian network charges	577,476
Inter-Regional TUOS	2,203
	<hr/>
	579,679
AEMO Planning & Procurement Costs	19,503
<b><u>Less: Other Revenue</u></b>	
Settlement Residue	(56,771)
Other Revenue	(41,241)
<b>Add:</b>	
Net Brought Forward Surplus	(38,858)
<b>TUOS Revenue Requirement</b>	<b>462,312</b>

## 3.2 Revenue and Expenditure

The expenditure is detailed below in Figure 3 by expenditure category

Figure 1 Expenditure by category 2018-19

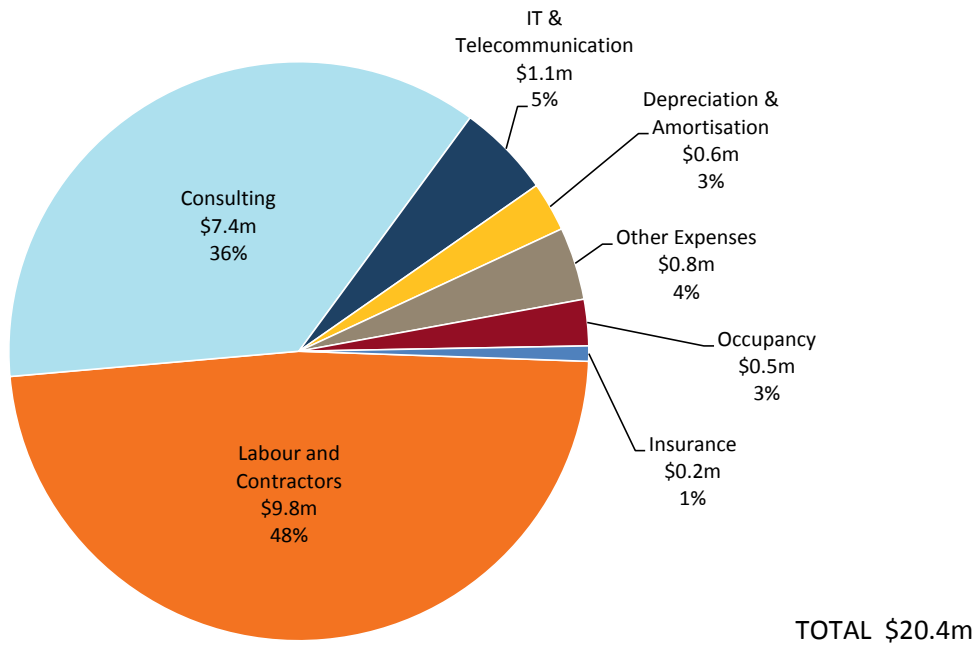


Table 3 Profit and Loss statement 2018-19 and comparison

	Budget	Budget	Variance	
	2017-18 \$'000	2018-19 \$'000	\$'000	%
Fees and tariffs	474,580	462,312	(12,267)	-3%
Other Revenue	35,868	42,713	6,845	+19%
<b>Total Revenue</b>	<b>548,736</b>	<b>561,796</b>	<b>13,060</b>	<b>+2%</b>
Labour and Contractors	6,675	9,782	3,108	+47%
Consulting	1,675	7,421	5,746	+343%
Fees - Agency, Licence & Audit	44	45	1	+3%
IT & Telecommunication	711	1,066	354	+50%
Occupancy	419	526	107	+26%
Insurance	150	173	24	+16%
Other Expenses	525	827	302	+58%
Depreciation & Amortisation	376	562	186	+50%
<b>Total Expenditure</b>	<b>10,575</b>	<b>20,403</b>	<b>9,828</b>	<b>+93%</b>
<b>Surplus/ (Deficit)</b>	<b>(10,490)</b>	<b>(41,931)</b>	<b>(31,440)</b>	
Transfer to PCF	0	0	0	
Brought Forward Surplus/ (Deficit)	10,076	40,923	30,847	
<b>Accumulated Surplus/ (Deficit)</b>	<b>(414)</b>	<b>(1,008)</b>		

### Key points for 2018-19 profit and loss

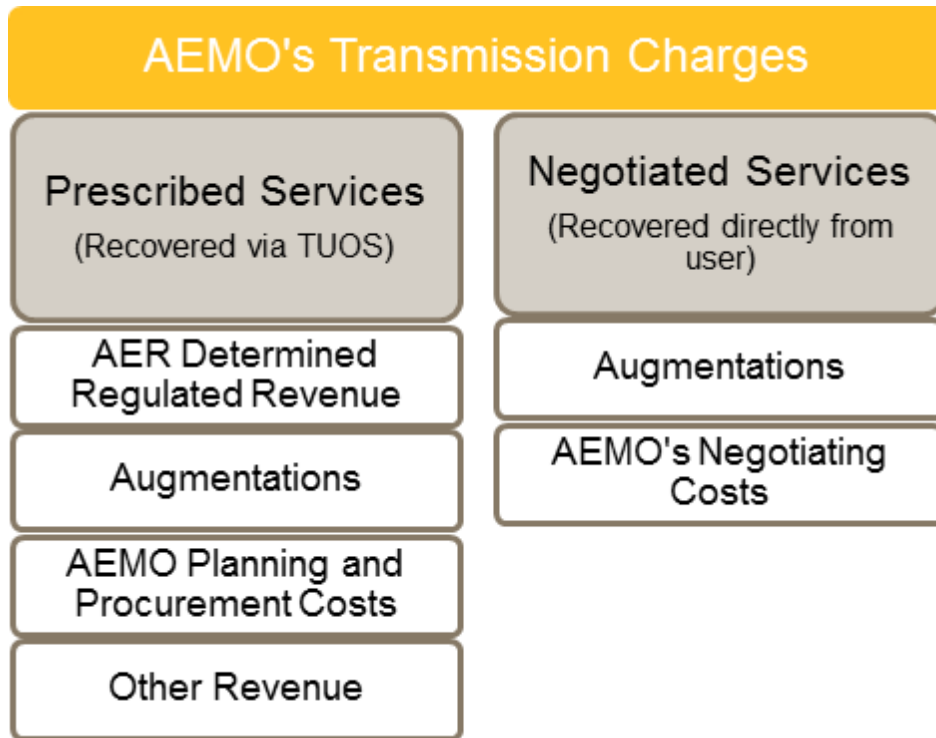
- Labour and consulting costs are higher in 2018-19 due to increased resources dedicated to the Western Victoria Renewable Integration Regulatory Investment Test for Transmission project work (RIT-T). This project will continue for a number of years.

# 4. Overview of TUOS revenue calculation

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

Figure 2 provides an overview of AEMO's transmission charges in accordance with its revenue methodology.

Figure 2 Overview of AEMO's transmission charges.



# List of Abbreviations

<b>Term</b>	<b>Definition</b>
<b>AEMO</b>	Australian Energy market Operator
<b>IR TUOS</b>	Inter-regional Transmission Use of System
<b>TBC</b>	To Be Confirmed
<b>TNSP</b>	Transmission Network Service Provider
<b>TUOS</b>	Transmission Use of System
<b>RIT-T</b>	Renewable Integration Regulatory Investment Test for Transmission
<b>VIC</b>	Victorian