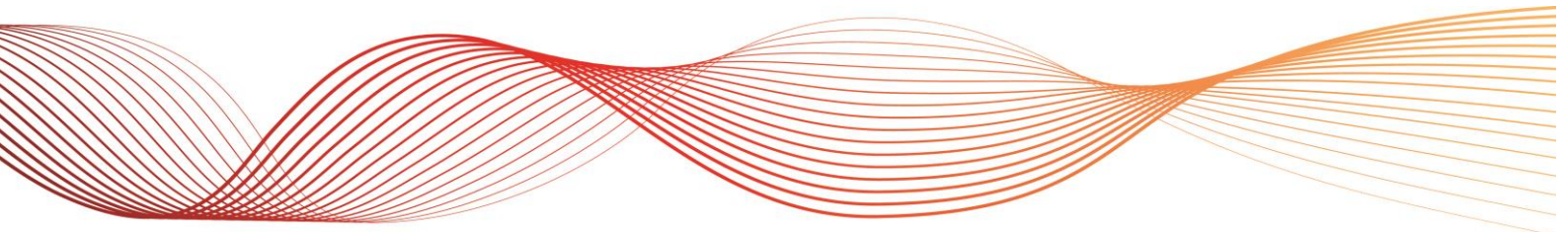


VICTORIAN ELECTRICITY TRANSMISSION SYSTEM FINAL BUDGET AND FEES: 2014-2015

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EXECUTIVE SUMMARY

1.1 Introduction

Following the release of the draft 2014-15 budget and fees in March 2014, this 2014-15 final Victorian TNSP budget provides a view of recovery of revenue required for 2014-15 and estimates for the following three-year period.

AEMO has continued to apply commercial discipline to controlling its total operating expenses over time in order to reduce the impact of AEMO fee increases to participants where possible.

Tabled below in Table 1 are the key points.

Table 1 Key points

<ul style="list-style-type: none"> Removal of <u>carbon tax</u> assumed 		The removal of carbon tax assumption from 1 July 2014 will reduce expected settlement residues revenue collected by \$19M.
<ul style="list-style-type: none"> <u>Increased network charges</u> 		Increase in network charges of \$8M for 2014-15.
<ul style="list-style-type: none"> <u>No carry forward prior year surplus</u> expected for 2014-15 		2012-13 returned a \$15M surplus which reduced 2013-14 fees. The 2013-14 forecasts a deficit of \$6M to be recovered in 2014-15.
<ul style="list-style-type: none"> <u>Expenditure</u> reduction achieved 		2014-15 AEMO expenditure is budgeted to decrease by 3% .

1.2 2014-15 fees

Table 2 Key fees

Key Fees	Budget 2014-15	Prior year published estimate 2014-15	Change	Current 2013-14	Unit
VIC TNSP - TUOS Fees	501,699	N/A	N/A	453,787	\$'000

1.3 Expenditure

Table 3 2014-15 budgeted expenditure compared to 2013-14

	Expenditure 2014-15 (\$M)	Expenditure 2013-14 (\$M)	Change
VIC TNSP - TUOS Fees	10,874	11,158	-3%



1.4 Contacts

For stakeholder questions regarding the contents of this report, please do not hesitate to contact AEMO's budget 2014-15 members:

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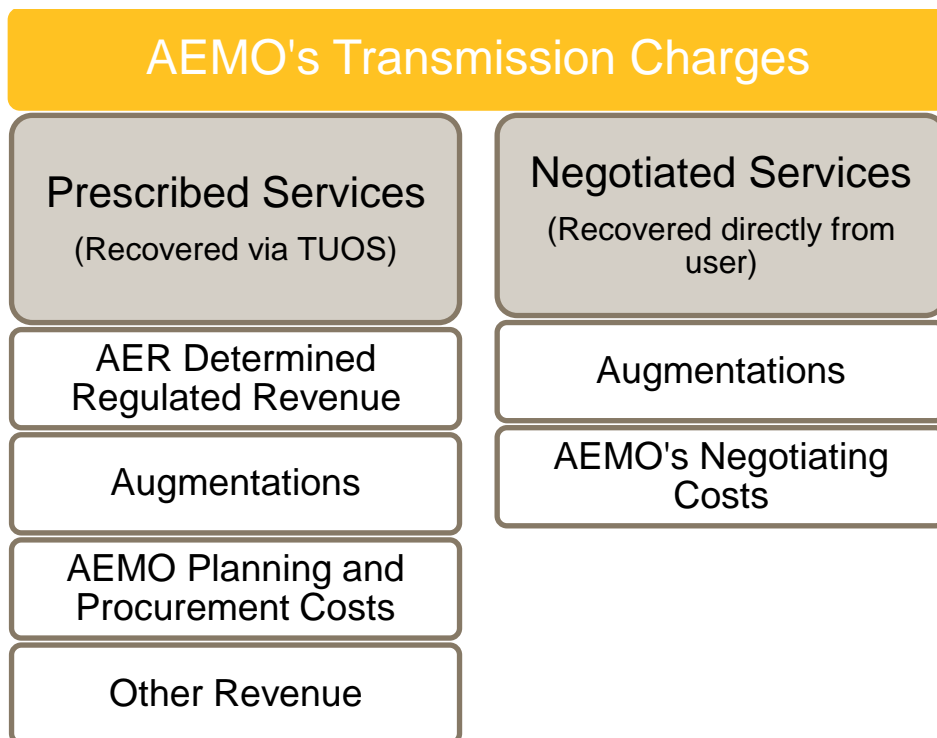
1.5 Overview of TUOS fee calculation

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

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.

In summary the revenue methodology requires the annual revenue requirement to be allocated as follows:

Figure 1 Overview of AEMO’s Transmission Charges



CHAPTER 1 - TUOS REVENUE REQUIREMENT

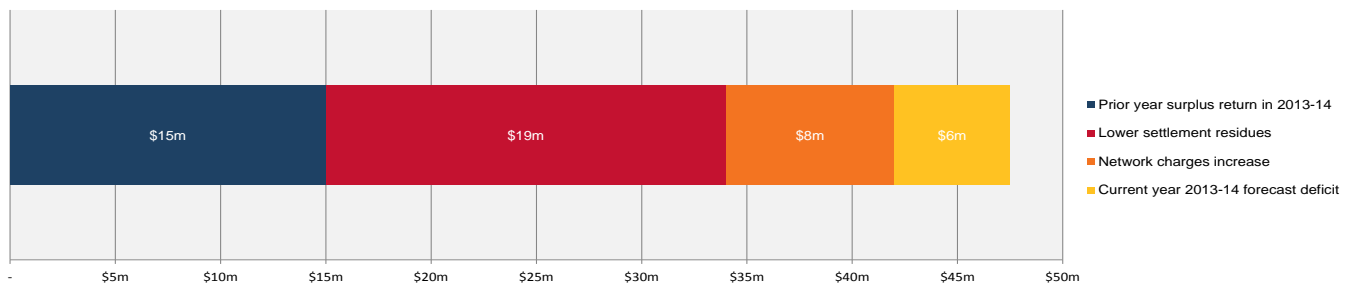
1.1 Fees

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 TUOS fees are expected to increase by \$48M (11%) in 2014-15.

Tabled below are key reasons contributing to this increase:

Table 4 Revenue requirement changes reasons



- \$15M - 2013-14 current year fees being reduced to return a surplus from the prior year 2012-13.
- \$19M - Lower revenue expected to be received from settlement residues (39%). This is due to the assumption the carbon tax will be repealed by the Senate in September 2014, with abolishment of this tax predicted to be backdated to 1 July 2014.
- \$8M – Increase in network charges in 2014-15 (1.5%) from the 2013-14 budget mainly due to an increase in the SP AusNet regulated network charges. The Australian Energy Regulator (AER) has approved SP AusNet’s revenue determination for the period 1 April 2014 to 31 March 2017.
- \$6M – Current year 2013-14 forecast deficit to be recovered in 2014-15, mainly due to increase in the SP AusNet regulated network charges from 1 April 2014.

Table 5 Projected TUOS Revenue Requirement

Fee	Actual 2013-14 (\$'000)	Budget 2014-15 (\$'000)	Estimate 2015-16 (\$'000)	Estimate 2016-17 (\$'000)	Estimate 2017-18 (\$'000)	Estimate 2018-19 (\$'000)
TUOS fees	453,787	501,699	490,283	492,896	TBC	TBC

1.2 Revenue and Expenditure

The final TUOS revenue calculation 2014-15 is tabled in Table 6.

Table 6 Calculation of TUOS revenue

TUOS Revenue Requirement	Budget 2014-15 \$'000
Expenditure	
Prescribed - AER Determined & Regulated charges	497,930
Prescribed - Excluded services charges	21,382
AEMO Planning & Procurement Costs	10,874
Less: Other Revenue	
Intra-Regional Settlement Residue	24,000
Inter-Regional Settlement Residue	6,792
Other Revenue	3,349
Plus:	
Brought Forward Deficit	(5,504)
11-12 Defined Benefit Superannuation	(927)
12-13 Defined Benefit Superannuation	938
TUOS Revenue Requirement	501,699

The expenditure is detailed below in Figure 2 by expenditure category.

Figure 2 Expenditure by category 2014-15

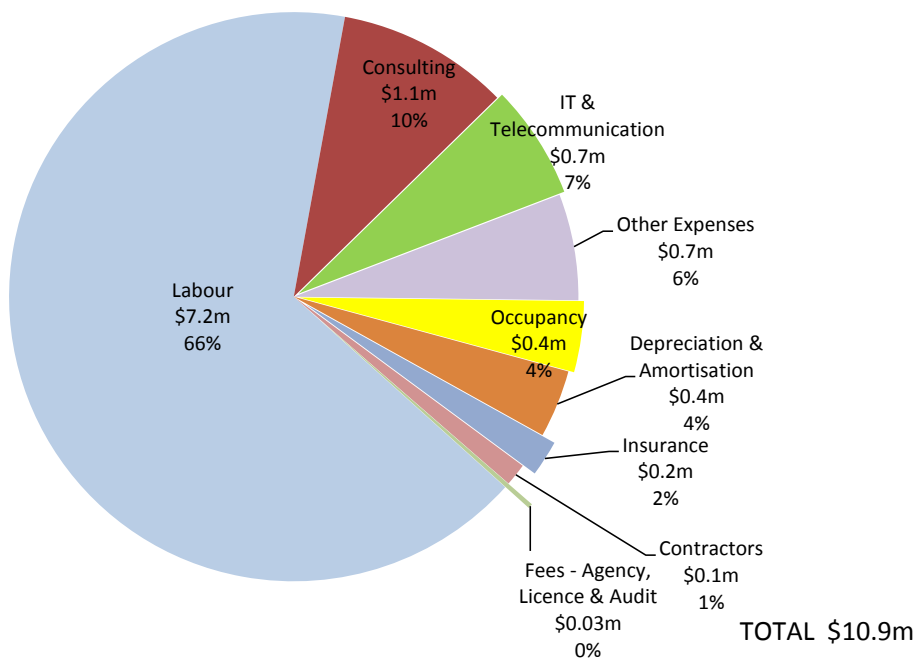


Table 7 Profit and Loss statement 2014-15 and comparison

	Budget 2013-14	Forecast 2013-14	Budget 2014-15	Variance to Budget	
	\$'000	\$'000	\$'000	\$'000	%
Fees and tariffs	453,787	454,694	501,699	47,912	+11%
Settlement Residue	49,958	47,558	30,792	(19,166)	-38%
Other Revenue	24,370	23,543	24,880	510	+2%
Total Revenue	528,115	525,795	557,372	29,257	+6%
Network Charges	(532,349)	(540,351)	(540,843)	(8,494)	+2%
Net Revenue	(4,234)	(14,556)	16,528	20,763	-490%
Labour	7,203	6,121	7,200	(2)	-0%
Contractors	57	29	138	82	+145%
Consulting	1,483	796	1,065	(418)	-28%
Fees - Agency, Licence & Audit	25	22	29	5	+18%
IT & Telecommunication	676	544	706	30	+4%
Occupancy	432	369	438	6	+1%
Insurance	224	201	222	(2)	-1%
Other Expenses	676	464	656	(20)	-3%
Depreciation & Amortisation	382	330	419	37	+10%
Total Expenditure	11,158	8,878	10,874	(284)	-3%
Surplus/(Deficit)	(15,392)	(23,433)	5,655	21,047	
Brought Forward Surplus/(Deficit)	14,423	17,941	(5,493)	(19,916)	
Accumulated Surplus/(Deficit)	(969)	(5,493)	162		



LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
AER	Australian Energy Regulator
TNSP	Transmission Network Service Provider
TUOS	Transmission Use of System

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