



Pipeline Capacity Trading AEMO Budget and Fees

February 2019

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.

AEMO has a broad range of functions and each is underpinned by a fee structure developed in consultation with stakeholders and in line with the national rule requirements. The fee structures detail how AEMO will calculate fees and who will be charged. AEMO's budget sets out the amounts that will be charged under these fee structures.

This report provides a view of the market fees, revenue and expenditure for capacity trading platform (CTP), day ahead auction (DAA) and operational transportation service (OTS) code panel from 1 March 2019 to 30 June 2019. The market fees, revenue and expenditure from 1 July 2019 will be incorporated in the upcoming AEMO budget and fee process, which will be published for consultation in late March 2019.

1.1 Summary of Fees

Table 1 Summary of Fees

Fee	Fee Type	1 March-30 June
Capacity Trading Platform (CTP)	Fixed Fee - one licence per annum (commodity & capacity)	12,000
	Fixed Fee - one licence per annum (capacity only)	7,000
	Variable fee (\$/GJ)	
	- Daily product fee (\$/GJ)	0.043
	- Weekly product fee (\$/GJ)	0.033
	- Monthly product fee (\$/GJ)	0.023
Day ahead Auction (DAA)	Variable fee (\$/GJ)	0.033

Note: the variable fee for CTP and DAA includes a fee of \$0.003 relating to OTS code panel

1.2 Contact for inquiries

AEMO contact for inquiries

For all queries on budget and fees, please contact:

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2. Capacity Trading Platform

2.1 Fees

Purpose of this function	<p>The purpose of the Capacity Trading Platform is to facilitate the secondary trading of pipeline capacity.</p> <p>The following broad services are provided:</p> <ul style="list-style-type: none"> • Settlement and prudential management of capacity transactions. • Exchange transaction information with facility operators to facilitate the delivery of capacity transactions. • Update STTM contract rights and DWGM accreditations in accordance with transactions in integrated products.
Fees	<p>Fixed fee per product licence type.</p> <p>Variable fee per GJ for CTP is including fee charge relating to OTS code panel of \$0.003/ GJ.</p> <p>Variable fee is set based on the AEMO fee structure, using budgeted costs and forecast trading capacity volume.</p> <p>The market fees from 1 July 2019 will be incorporated in the upcoming AEMO budget and fee process, which will be published for consultation in late March 2019</p>

Table 2 CTP fees

Fee	Fee Type	1 March-30 June
Capacity Trading Platform (CTP)	Fixed Fee - one licence per annum (commodity & capacity)	12,000
	Fixed Fee - one licence per annum (capacity only)	7,000
	Variable fee (\$/GJ)	
	- Daily product fee (\$/GJ)	0.043
	- Weekly product fee (\$/GJ)	0.033
	- Monthly product fee (\$/GJ)	0.023

Note: the variable fee for CTP is including a fee of \$0.003 relating to OTS code panel

2.2 Trading Capacity volume

CTP trading capacity volume forecast to be 640,000 GJ for the period from 1 March to 30 June 2019. As participation is voluntary in this new market, AEMO has based the forecast on the assumption that there will be a relatively small number of trades at the commencement of the market with the number of trades, and hence transaction volume, growing over time.

3. Day Ahead Auction

3.1 Fees

Purpose of this function	<p>The purpose of the Day-ahead Auction is to reallocate contracted but unominated transportation capacity to shippers that value it the most.</p> <p>The following broad services are provided:</p> <ul style="list-style-type: none"> • Auction platform to allocate capacity to shippers. • Settlement and prudential management of auction transactions. • Provide auction results to facility operators to facilitate the delivery of auction transactions. • Update DWGM accreditations in accordance with transactions to a DWGM interface point.
Fees	<p>Variable fee per GJ for DAA is including fee charge relating to OTS code panel of \$0.003/ GJ.</p> <p>Variable fee is set based on the AEMO fee structure, using budgeted costs and forecast auction capacity volume.</p> <p>The market fees from 1 July 2019 will be incorporated in the upcoming AEMO budget and fee process, which will be published for consultation in late March 2019</p>

Table 3 DAA fee

Fee	1 March-30 June
Day ahead Auction (DAA) (\$/GJ)	0.033

Note: the DAA fee including a fee of \$0.003 relating to OTS code panel

3.2 Auction Capacity volume

DAA auction capacity volume forecast to be 9,220,900 GJ for the period from 1 March to 30 June 2019. The forecast of capacity auction volumes were based on contracted volumes reported on the BB, assumptions in relation to firm shipper nominations and assumptions in relation to potential demand for auction products.

4. OTS Code Panel

4.1 Fees

Purpose of this function	To assess and consult on proposals to amend the Operational Transportation Service Code and develop proposals to amend the Code, prepare impact and implementation reports on proposals, make recommendations in relation to proposals, report to the AER on proposals, develop proposals at the request of the AER and other related functions.
Fees	OTS code panel fee of \$0.003 per GJ is levied on all CTP and DAA trades. The market fees from 1 July 2019 will be incorporated in the upcoming AEMO budget and fee process, which will be published for consultation in late March 2019
Other notes	AEMO is permitted to recover costs incurred in relation to the OTS Code Panel including establishing and operating the OTS Code Panel, the participation of the AEMO member of the OTS Code Panel and providing services to facilitate the functioning of the OTS Code Panel.

Table 4 OTS Code Panel fee

Fee	1 March-30 June
OTS Code Panel (\$/GJ)	0.003

4.2 Capacity volume

Capacity volume of 9,860,900 GJ achieved through the sum of CTP and DAA capacity volume forecast for the period from 1 March to 30 June 2019.

5. Pipeline Capacity Trading Revenue and Expenditure

A summary of the combined financials for CTP, DAA and OTS for the period from 1 March 2019 to 30 June 2019 is shown in table 5 below.

The expenditure for the period includes AEMO's operational cost for the period and its market establishment cost, to be recovered over a 5 year period.

The fee for each market is calculated based on a 3 year breakeven approach. The approach is that AEMO will under-recover for the first two year and will achieve a breakeven in the third year. A summary of financials from 1 July 2019 will be presented in the upcoming AEMO budget and fee process, which will be published for consultation in late March 2019.

Table 5 - Profit and Loss statement for 1 March to 30 June 2019

	Forecast (\$000)
Revenue	
Fee and Tariff	326.9
Total Revenue	326.9
Expenditure	
Operational cost	307.9
Establishment cost	193.6
Total Expenditure	501.6
Surplus/ (Deficit)	(174.7)

6. Registration fee

In accordance with the final fee structure, the following registration fees are not applicable pre 1 July 2019. For this reason, registration fee will be incorporated in the upcoming AEMO budget and fee process, which will be published for consultation in late March 2019 and effective from 1 July 2019.

Registration Type
• Facility operators
• Auction participants
• BB allocation agents
• BB transportation facility user and capacity transaction reporting agents

List of Abbreviations

Term	Definition
AEMO	Australian Energy Market Operator
CTP	Capacity trading Platform
DAA	Day ahead Auction
OTS	Operational Transportation Services
GJ	Gigajoule