



NSW and ACT FRC Gas 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.

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

This report provides a view of the draft 2018-19 NSW and ACT FRC gas fee, revenue and expenses, and fee estimates for the following four-year period.

The key points of the 2018-19 final budget are:

- Lower fees achieved in 2018-19 with further reduction in forward years.
- AEMO will continue to manage our costs prudently to reduce the impact of fee increases to market participants, and we will identify further opportunities for efficiencies.

Support, implement, operate retail market and manage data settlement.

1.1 Summary of Fees

Table 1 Summary of Fees

Fee	Actual 2017-18	Budget 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
FRC fee	0.16918	0.16410	0.15754	0.15124	0.14519	0.14519
(\$ per customer supply point per month)	+1%	-3%	-4%	-4%	-4%	+0%

1.2 Contact for inquiries

AEMO contact for inquiries

For all queries on budget and fees, please contact:

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2. New South Wale (NSW) and Australian Capital Territory (ACT) FRC Gas

2.1 Fees

Purpose of this function	<p>AEMO operates FRC gas markets in Victoria, Queensland, South Australia, New South Wales and Western Australia.</p> <p>The purpose of the FRC gas markets are to provide the services and infrastructure to allow gas consumers to choose their retailer while also providing the business to business interactions to support efficient operation of the market.</p> <p>The following broad services are provided:</p> <ul style="list-style-type: none"> • Support retail market functions and customer transfers • Manage data for settlement purposes • Implement market procedure changes • Operate the central IT systems that facilitate retail market services.
Fees	<p>The current New South Wales FRC Gas fee is \$0.16918 per customer supply point/month.</p> <p>This fee is proposed to decrease to 0.16410 or by -3% in 2018-19 and in future years due to lower operating costs in this function.</p>
Other notes	

Table 2 NSW/ ACT FRC gas projected fees

Fee	Actual 2017-18	Budget 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
FRC fee	0.16918	0.16410	0.15754	0.15124	0.14519	0.14519
(\$ per customer supply point per month)	+1%	-3%	-4%	-4%	-4%	+0%

2.2 Revenue and Expenditure

The expenditure is detailed below in Figure 1 by expenditure category

Figure 1 Expenditure by category 2018-19

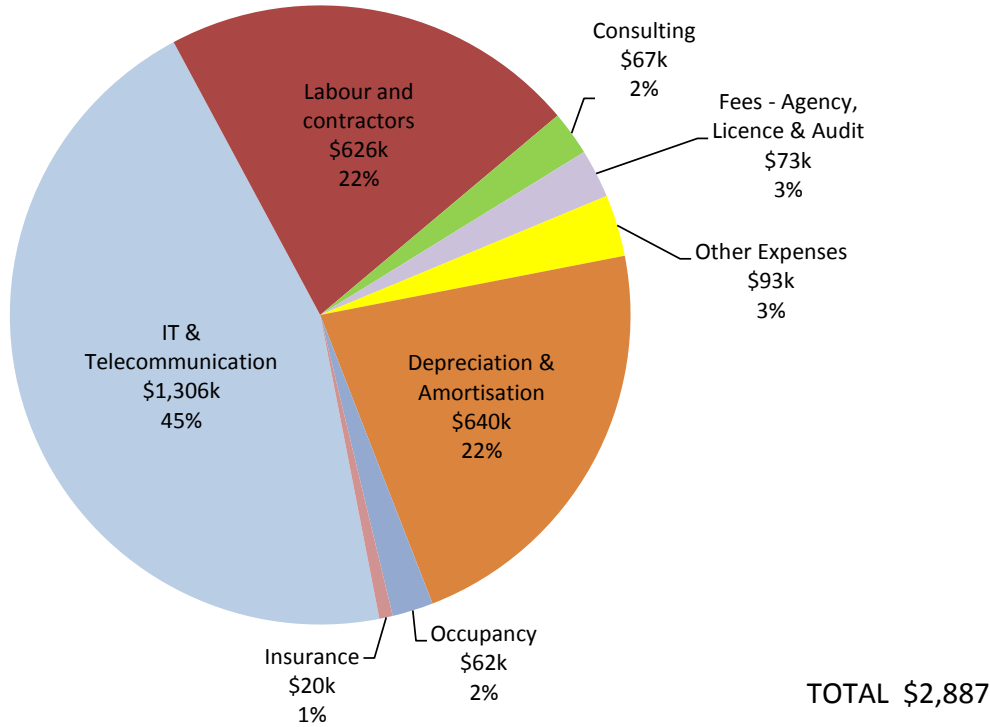


Table 3 Profit and Loss statement 2018-19 and comparison

	Budget	Budget	Variance	
	2017-18 \$'000	2018-19 \$'000	\$'000	%
Fees and tariffs	3,131	3,191	60	+2%
Total Revenue	3,131	3,191	60	+2%
Labour and contractors	674	626	(47)	-7%
Consulting	55	67	12	+22%
Fees - Agency, Licence & Audit	59	73	14	+24%
IT & Telecommunication	1,393	1,306	(87)	-6%
Occupancy	71	62	(9)	-13%
Insurance	25	20	(5)	-20%
Other Expenses	89	93	4	+4%
Depreciation & Amortisation	651	640	(10)	-2%
Total Expenditure	3,017	2,887	(129)	-4%
Surplus/(Deficit)	114	303	189	
Brought Forward Surplus/(Deficit)	(378)	(607)	(229)	
Accumulated Surplus/(Deficit)	(264)	(304)		

3. Gas Statement of Opportunities (GSOO)

3.1 Fees

Purpose of this function	<p>The purpose of the GSOO is to report the supply adequacy of eastern and south-eastern Australian gas markets to meet energy needs. AEMO publishes reports on demand and supply, and delivery constraints projected for the next 20 years.</p> <p>Retailers across the FRC gas market jurisdictions are currently charged for GSOO costs at a flat rate per customer supply point.</p>
Fees	<p>The current GSOO fee is \$0.03518 per customer supply point/month.</p> <p>This fee is proposed to increase to 0.03799 or by +8% in 2018-19 and in future years due to additional work on the National Gas Forecasting Report (NGFR) and uplift in long term forecasting capability and additional insight reports to industry.</p>

Table 4 GSOO projected fee

Fee	Actual 2017-18	Budget 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
Gas Statement of Opportunities (\$ per customer supply point per month)	0.03518 +10%	0.03799 +8%	0.04179 +10%	0.04597 +10%	0.04735 +3%	0.04877 +3%

4. Energy Consumers Australia (ECA)

Purpose of this function	To promote long term interests of the energy customers, in particularly for residential customers and small business customers.
Fees	<p>AEMO is required to recover the funding for the ECA from market participants. Total expenditure budgeted by the ECA to be recovered in 2018-19 is \$7.3m (2017-18: \$6.8m).</p> <p>The ECA electricity component recovery is increasing by +1% mainly due to a carried forward surplus to be returned to electricity participants next year.</p>
Other notes	The COAG in November 2017 has approved the ECA 2018-19 annual budget.

Table 5 ECA projected fee

AEMO's ECA Fees	Actual 2017-18	Budget 2018-19
Gas (\$ / customer supply point per month)	0.03199 +1%	0.03547 +11%

List of Abbreviations

Term	Definition
AEMO	Australian Energy Market Operator
ACT	Australian Capital Territory
COAG	Council of Australian Governments
ECA	Energy Consumer Australia
FRC	Full Retail Contestability
GJ	Gigajoule
GPG	Gas Powered Generation
GSOO	Gas Statement of Opportunities
NA	Not applicable
NSW	New South Wales
TBC	To be Confirmed