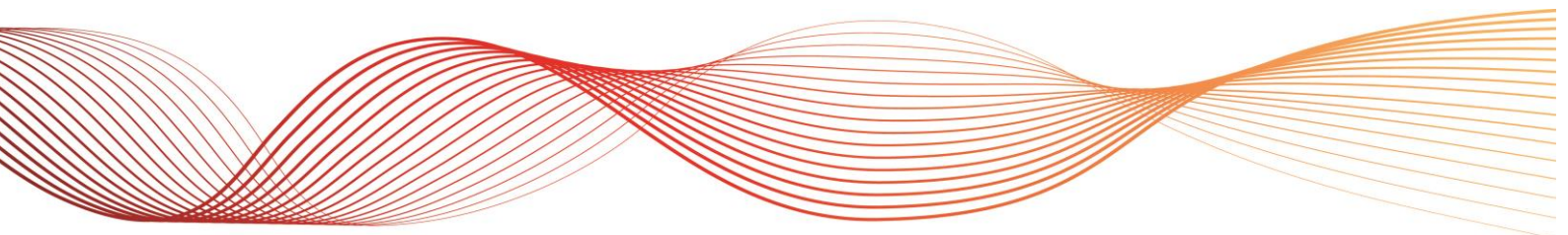


SHORT TERM TRADING MARKET FINAL BUDGET AND FEES: 2015-16

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EXECUTIVE SUMMARY

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 Short Term Trading Market (STTM) gas function is underpinned by a fee structure developed in consultation with stakeholders and in line with requirements under the National Gas Rules (NGR). The fee structure details how AEMO will calculate fees and who it charges. In March 2015, AEMO published its final fee structure for AEMO's gas markets, covering the period from 1 July 2015 to 30 June 2018.

This document sets out the final 2015-16 budget and fees for the STTM gas function.

In budgeting for 2015-16, AEMO has continued to apply strong commercial discipline to control costs to reduce the impact of fee increases to market participants.

Table 1 Key points

<ul style="list-style-type: none"> Lower fee levels achieved for STTM 	↓	STTM fee \$0.08193/TJ (\$0.0952 estimate)
<ul style="list-style-type: none"> Energy consumption declining 	↓	STTM declining next 5 years.

2015-16 fees

Table 2 Key fees

Key Fees	Budget 2015-16	Current 2014-15	Change	Prior year published estimate 2015-16	Unit
STTM - Activity Fee	0.08193	0.08203	↓ 0%	0.09052	\$/GJ withdrawn

Contacts

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Energy consumption

Short Term Trading Market

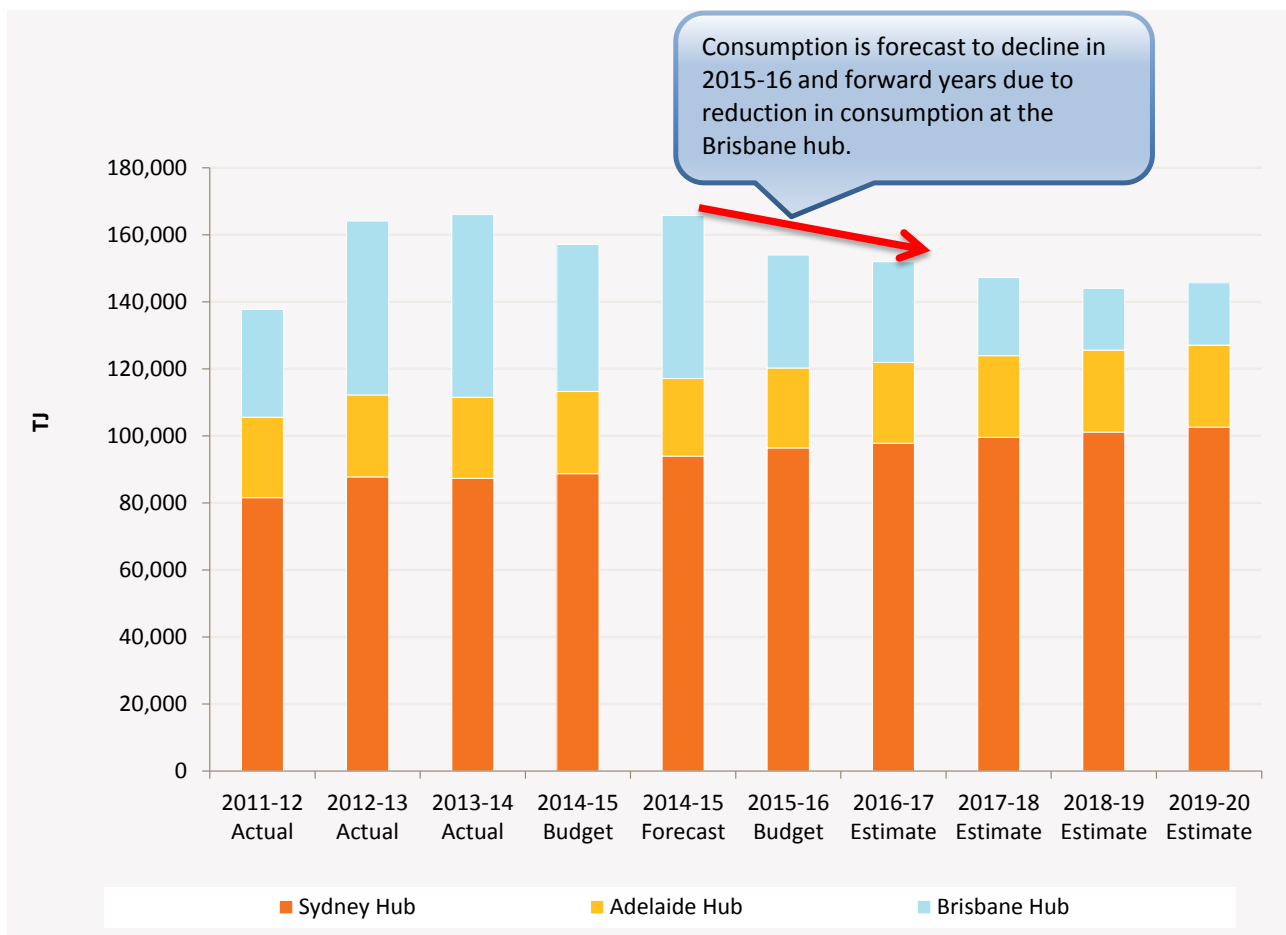
Consumption in the Short Term Trading Market (STTM) is expected to decline by 2% in 2015-16 compared to the 2014-15 budget and is expected to continue declining for the forward years. This is mainly driven by the Brisbane hub with planned closures of large industrial companies.

Table 3 STTM consumption

TJs	Budget 2014-15	Forecast ¹ 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
Adelaide	24,566	23,168	23,913	24,111	24,353	24,507	24,517
Brisbane	43,880	48,629	33,690	30,022	23,328	18,364	18,608
Sydney	88,723	93,997	96,392	97,839	99,553	101,133	102,591
TOTAL	157,169	165,794	153,994	151,973	147,234	144,004	145,716
			-2.0%	-1.3%	-3.1%	-2.2%	+1.2%

¹ Forecast annual 2014-15 consumption as at December 2014

Figure 1 Annual STTM Gas consumption





1 SHORT TERM TRADING MARKET

1.1 Fees

The STTM fee is calculated on a three-year rolling break-even period.

The 2015-16 STTM activity fee is slightly lower than the 2014-15 fee and further small reductions are estimated in forward years.

The fixed fee component of the STTM fee has been removed from 1 July 2015, based on the recent finalisation of the structure of participant fees.

There is no requirement to collect PCF funds for the Sydney, Brisbane and Adelaide hubs as the current level of funds being held for these hubs meets the Rules requirements.

Table 4 Short Term Trading Market projected fees

Fee	Actual 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
Activity Fee	0.08203	0.08193	0.08067	0.07923	0.07781	0.07635
(\$/GJ withdrawn)		-0%	-2%	-2%	-2%	-2%
Fixed Fee	30	NA [^]	NA	NA		
(\$/day per hub per ABN)						
PCF Fee - Syd	0	0	TBC	TBC	TBC	TBC
(\$/GJ withdrawn per hub per ABN)						
PCF Fee - Adel	0	0	TBC	TBC	TBC	TBC
(\$/GJ withdrawn per hub per ABN)						
PCF Fee - Bris	0.00262	0	TBC	TBC	TBC	TBC
(\$/GJ withdrawn per hub per ABN)						

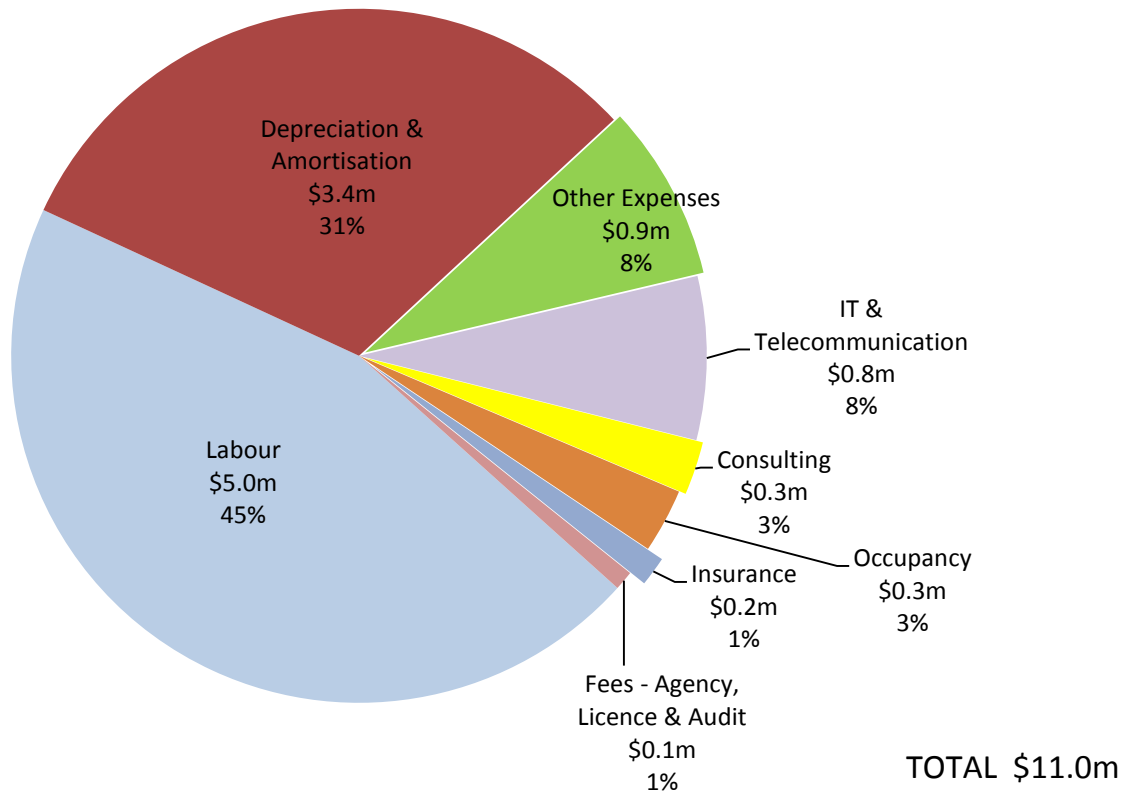
[^]This fixed fee was abolished under the new structure of participant fees for AEMO's gas market, commencing 1 July 2015.



1.2 Revenue and Expenditure

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

Figure 2 Expenditure by category 2015-16



**Table 5 Profit and Loss statement 2015-16 and comparison**

	Budget	Forecast	Budget	Variance to Budget	
	2014-15 \$'000	2014-15 \$'000	2015-16 \$'000	\$'000	%
Fees and tariffs	13,260	13,683	12,312	(948)	-7%
Other Revenue	221	196	133	(89)	-40%
Total Revenue	13,481	13,879	12,445	(1,037)	-8%
Labour	4,477	4,377	4,982	505	+11%
Contractors	48	55	16	(32)	-67%
Consulting	447	262	274	(172)	-39%
Fees - Agency, Licence & Audit	92	171	99	7	+8%
IT & Telecommunication	676	673	838	162	+24%
Occupancy	309	299	329	20	+7%
Insurance	156	153	152	(5)	-3%
Other Expenses	1,101	1,181	905	(196)	-18%
Depreciation & Amortisation	3,456	3,469	3,435	(20)	-1%
Total Expenditure	10,762	10,640	11,031	268	+2%
Surplus/(Deficit)	2,719	3,239	1,414	(1,305)	
Transfer to PCF	(168)	(168)	(52)	116	
Brought Forward Surplus/(Deficit)	(5,180)	(4,806)	(1,735)	3,445	
Accumulated Surplus/(Deficit)	(2,629)	(1,735)	(372)		

Key Points:

- Revenue for 2015-16 is budgeted to decrease by \$1.0M (8%) from the 2014-15 budget. In 2010-11, the consumption forecast for the Sydney and Adelaide hubs was significantly overestimated which resulted in a shortfall of revenue. During the 2011-12 budget process it was agreed with shareholders that this shortfall would be recovered from 2011-12 to 2014-15. As this shortfall has now been recovered the 2015-16 fee can be reduced and it is estimated that future decreases can be made in future years.
- Expenditure for 2015-16 is budgeted to increase by \$0.3M (2%) from the 2014-15 budget. The key movements relate to:
 - **Labour**
Labour expenses are budgeted to increase by \$0.5M (11%). This is mainly due to increased allocation of resources required to operate the STTM function.
 - **Consulting**
Consulting expenses are budgeted to decrease by \$0.2M (39%). This is mainly due to once-off consulting costs incurred in 2014-15 relating to rule changes.



1.3 PCF Fees

The National Gas Rules require AEMO to maintain a separate Participant Compensation Fund (PCF) for the purpose of paying compensation to Market Participants where the dispute resolution panel has upheld a complaint. Each STTM hub is to have a separate PCF and the NGR also details specific funding requirements for each hub's PCF.

Sydney Hub

The funding requirement for the PCF for the Sydney hub each financial year is the lesser of:

- (1) \$335,000; and
- (2) \$670,000 minus the amount which AEMO reasonably estimates will be the balance of the PCF at the end of the relevant financial year.

The estimated balance of the PCF at 30 June 2015 is \$0.8M.

The funding requirement for 2015-16 is \$Nil.

Adelaide Hub

The funding requirement for the PCF for the Adelaide hub each financial year is the lesser of:

- (1) \$115,000; and
- (2) \$330,000 minus the amount which AEMO reasonably estimates will be the balance of the PCF at the end of the relevant financial year.

The estimated balance of the PCF at 30 June 2015 is \$0.4M.

The funding requirement for 2015-16 is \$Nil.

Brisbane Hub

The funding requirement for the PCF for the Brisbane hub each financial year is the lesser of:

- (1) \$225,000; and
- (2) \$450,000 minus the amount which AEMO reasonably estimates will be the balance of the PCF at the end of the relevant financial year.

The estimated balance of the PCF at 30 June 2015 is \$0.45M.

The funding requirement for 2015-16 is \$Nil.



2 MARKET OPERATOR SERVICES COSTS

In line with the NGR, AEMO is required to recover the pipeline operator's market operator services (MOS) costs from STTM participants and pass these funds on to pipeline operators.

The MOS costs are a straight pass-through to pipeline operators and therefore AEMO recovers these costs in the same financial year that payment is required to be made to pipeline operators.

Total MOS costs to be recovered in 2015–16 are expected to be approximately \$0.3M, which is slightly increased and in line with CPI.

MOS costs have been included in the STTM activity fee.

In accordance with the NGR, pipeline operators are required to issue AEMO with a tax invoice for MOS allocation costs for the 2014-15 financial year, no later than 20 business days after 1 July 2015. Once these invoices are received AEMO will publish them and seek comment for payment of the invoices.

Table 6 Estimated recovery of MOS costs

MOS	Forecast 2014–15 (\$'M)	Budget 2015–16 (\$'M)	Estimate 2016–17 (\$'M)	Estimate 2017–18 (\$'M)
Sydney hubs	0.1	0.1	0.1	0.1
Adelaide hubs	0.1	0.2	0.2	0.2
Brisbane hub	0.1	0.1	0.1	0.1
Total MOS costs	0.3	0.3	0.4	0.4



LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
GJ	gigajoule
MOS	Market Operator Services
MCE	Ministerial Council on Energy
NA	not applicable
NGR	National Gas Rules
PCF	Participant Compensation Fund
STTM	Short Term Trading Market
TBC	to be confirmed
TJ	Terajoule

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