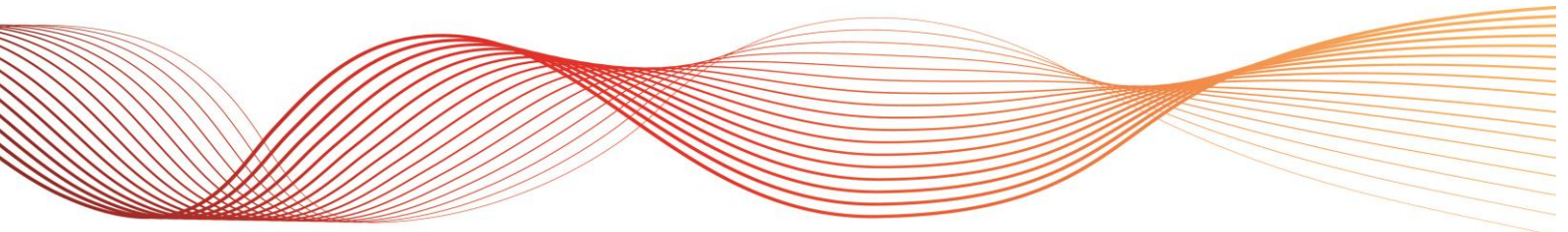


QUEENSLAND FRC GAS FINAL BUDGET AND FEES 2014-15

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EXECUTIVE SUMMARY

1.1 Introduction

Following the release of the draft 2014-15 budget and fees in March 2014, the 2014-15 final Queensland Full Retail Contestability (FRC) gas market budget provides a view of revenue and expenses along with the final fees for 2014-15 and estimates for the following four-year period.

AEMO's commitment is to drive cost efficiencies where possible.

1.2 2014-15 fees

Table 1 Key fees

Key Fees	Budget 2014-15	Prior year published estimate 2014-15	Change	Current 2013-14	Unit
QLD FRC Gas	0.30805	0.29908	3%	0.29908	\$ per customer supply point/mth
Gas Statement of Opportunities	0.0283	0.03098	-9%	0.02979	\$ per customer supply point/mth

1.3 Expenditure

Table 2 2014-15 budgeted expenditure compared to 2013-14

	Expenditure 2014-15 (\$M)	Expenditure 2013-14 (\$M)	Change
QLD FRC Gas	912	868	5%
Gas Statement of Opportunities	1,540	1,538	0%

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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CHAPTER 1 - QUEENSLAND FRC GAS

1.1 Fees

The Queensland Full Retail Competition (FRC) gas 2014-15 fee is proposed to increase gradually from 2014-15 to 2016-17 and increase more sharply in 2017-18 and 2018-19.

This function has a small cost base; relatively minor increases in costs can therefore result in large percentage fee increases.

The costs in this function have increased, however there is currently a carried forward surplus that limits the impact of the cost increases on the fee for the next three years.

Table 3 Queensland FRC Gas Projected Fees

Fee	Actual 2013-14	Budget 2014-15	Estimate 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19
FRC Fee (\$ per customer supply point per month)	0.29908	0.30805 +3%	0.31729 +3%	0.32681 +3%	0.3693 +13%	0.41731 +13%
Initial Registration Fee (\$ per participant)	5,760	5,760	TBC	TBC	TBC	TBC
Gas Statement of Opportunities (\$ per customer supply point per month)	0.02979	0.0283 -5%	0.02689 -5%	0.02823 +5%	0.02964 +5%	0.03112 +5%
Gas Advocacy Panel pass-through (\$ per customer supply point per month)	0.01910	0.01110 ¹ -42%	TBC	TBC	TBC	TBC

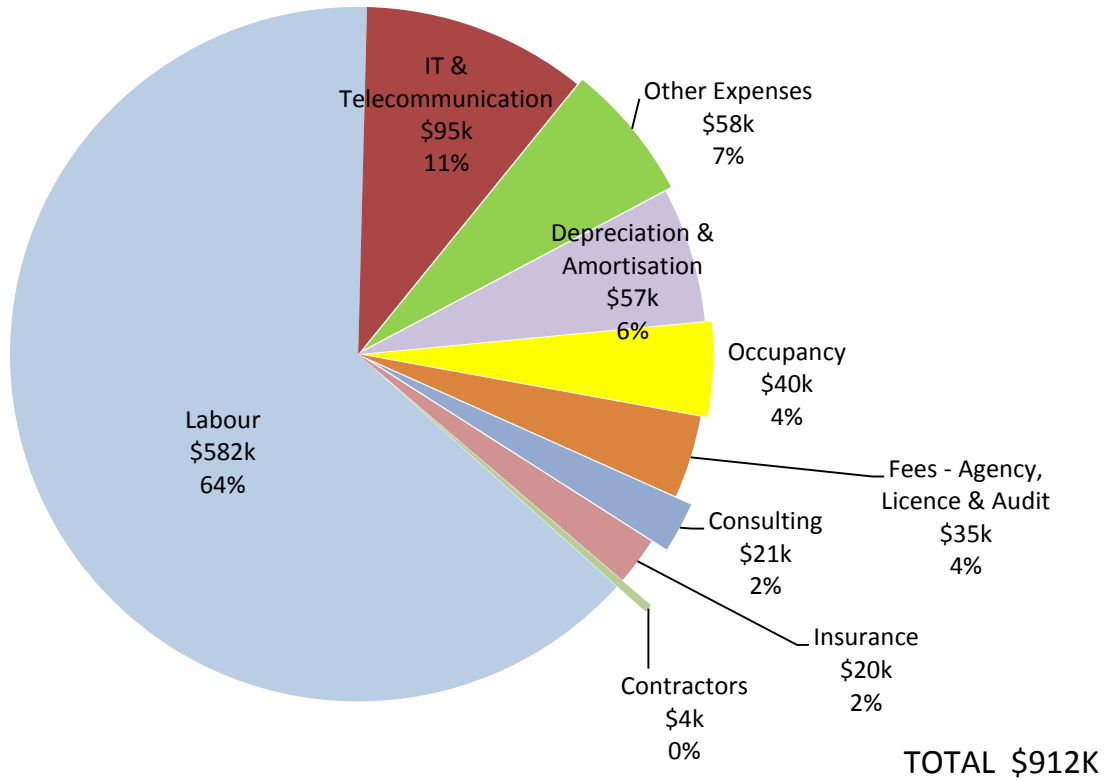
¹ This fee relates to the recovery of costs for gas Consumer Advocacy Panel. The costs and fees associated with the new body Energy Consumers Australia are yet to be finalised.



1.2 Revenue and Expenditure

The expenditure is detailed below in Figure 1 by expenditure category.

Figure 1 Expenditure by category 2014-15



**Table 4 Profit and Loss statement 2014-15 and comparison**

	Budget	Forecast	Budget	Variance to Budget	
	2013-14	2013-14	2014-15	\$'000	%
	\$'000	\$'000	\$'000		
Fees and tariffs	657	657	693	36	+6%
Other Revenue	14	19	12	(2)	-16%
Total Revenue	671	676	705	34	+5%
Labour	585	529	582	(3)	-1%
Contractors	5	3	4	(1)	-30%
Consulting	17	16	21	4	+26%
Fees - Agency, Licence & Audit	32	32	35	3	+9%
IT & Telecommunication	82	71	95	13	+16%
Occupancy	38	33	40	2	+5%
Insurance	20	18	20	0	+2%
Other Expenses	46	37	58	13	+27%
Depreciation & Amortisation	43	35	57	14	+32%
Total Expenditure	868	774	912	44	+5%
Surplus/(Deficit)	(197)	(98)	(207)	(10)	
Brought Forward Surplus/(Deficit)	718	836	738	20	
Accumulated Surplus/(Deficit)	521	738	531		



CHAPTER 2 - GAS STATEMENT OF OPPORTUNITIES

2.1 Fees

Gas Statement of Opportunities (GSOO) costs are recovered via charges to retailers in AEMO’s FRC gas markets on a fee per meter basis.

A reduction in the fee is expected in 2014-15, mainly due to a forecast carry forward surplus from 2013-14, and also a reduction in operational costs for this function relating to labour and consultancies.

Table 5 Gas Statement of Opportunities Projected Fees

Fee	Actual 2013-14	Budget 2014-15	Estimate 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19
Gas Statement of Opportunities	0.02979	0.02830	0.02689	0.02823	0.02964	0.03112
(\$ per customer supply point per month)		-5%	-5%	+5%	+5%	+5%



CHAPTER 3 - ENERGY CONSUMERS AUSTRALIA / CONSUMER ADVOCACY PANEL RECOVERY

The Standing Council of Energy and Resources (SCER) has approved the establishment of the Energy Consumers Australia (ECA) by 1 July 2014, to provide a focus on national energy market matters of strategic importance for energy consumers, and residential and small business consumers in particular. AEMO is required to collect funds for the operation of the ECA, which will need to be incorporated into the participant fee process we operate with gas and electricity market stakeholders.

The funding arrangements for ECA are proposed to be similar to that of the existing Consumer Advocacy Panel (CAP) whose functions will be absorbed by the ECA, however fees will be collected on a per supply point basis for both gas and electricity (the CAP is currently recovered as a per MWh rate from electricity customers). AEMO is also expected to manage the over/under-recovery through its annual budget process.

SCER officials are progressing an ECA implementation plan, which will put in place the necessary provisions for AEMO to collect revenue on behalf of ECA. An update is provided on the SCER website: <https://scer.govspace.gov.au/files/2011/12/Energy-Consumers-Australia-Implementation-Plan-Synopsis.pdf>. A transitional funding arrangement is expected to be in place until 1 January 2015. From 1 January 2015, permanent funding is expected to be in place, and CAP functions to be absorbed by the ECA.

Table 6 reflects the CAP fees to be collected in gas for 2014-15 until further developments are made with the CAP being absorbed under ECA. The costs and fees associated with the ECA are yet to be finalised.

Table 6 Consumer Advocacy Panel requirements

CAP Fees	Budget 2014-15	Actual 2013-14
Gas (\$ per customer supply point per month)	0.01110	0.01910



LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
B2B	business-to-business
CAP	Consumer Advocacy Panel
ECA	Energy Consumers Australia
FRC	Full Retail Contestability
GSOO	Gas Statement of Opportunities
MCE	Ministerial Council on Energy
NA	not applicable
QLD	Queensland
TBC	to be confirmed

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