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# **FINAL REPORT**

# **Gas Pipeline Capacity Trading and Day Ahead Auction 2019**

**Fee Structure**

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**12 February 2019**

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Australian Energy Market Operator Limited

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# 1. Executive Summary

## Introduction

Australian Energy Market Operator (AEMO) conducted a consultation on the fee structure for the new gas markets and panel scheduled to commence from 1 March 2019:

- Capacity Trading Platform (CTP),
- Day-ahead Auction (DAA), and
- Operational Transportational Service Code Panel (OTS Code Panel)

The objective of the consultation was to provide stakeholders with the opportunity to have input into the development of the structure of these participant fees.

## Final Fee Structure

AEMO has completed the two stages of consultation on the fee structure for the CTP, DAA and OTS Code Panel, the first stage in November 2018 and the second stage in January 2019, and received nine submissions in total for both stages. Please refer to Appendix 1 for a summary of submissions and responses from AEMO to submissions. AEMO responded generally to submissions received in the first stage in the Draft Report, and has included a response to these submissions in Appendix 1 for completeness.

Table 1 below provides a summary of the final decision on the fee structure.

In conjunction with AEMO's final decision on the fee structure for the CTP, DAA and OTS Code Panel, the amount of the fees for the CTP, DAA and OTS Code Panel from 1 March to 30 June 2019, have been prepared and published on the AEMO website at <https://www.aemo.com.au/About-AEMO/Energy-market-budget-and-fees>. The fees for the CTP, DAA and OTS Code Panel for 2019-20 will be consulted on as part of the annual AEMO budget and fees process in late March 2019.

Table 1: Final fee structure summary

Area	Final fee structure	Date effective
Period of fee structure	Period to 30 June 2021 (to align with the maturity of the existing electricity and gas markets fee structure to 30 June 2021).	1 March 2019 to 30 June 2021
Break-even period to recover costs	Rolling 3 year break-even period.	1 March 2019

Area	Final fee structure	Date effective
CTP fee structure	Trading participants <ul style="list-style-type: none"> <li>• Fixed fee p.a. – per licence</li> <li>• Variable fee levied on the buyer and seller –               <ul style="list-style-type: none"> <li>*Daily product fee (\$/GJ)</li> <li>*Weekly product fee (\$/GJ)</li> <li>*Monthly product fee (\$/GJ)</li> </ul> </li> </ul>	1 March 2019
DAA fee structure	Variable fee (\$/GJ) levied on the buyer.	1 March 2019

Registration fee	<p>Fixed registration fee for new participants registered as a result of the capacity trading reform:</p> <ul style="list-style-type: none"> <li>• Facility operators</li> <li>• Auction participants</li> <li>• BB allocation agents</li> <li>• BB transportation facility user and capacity transaction reporting agents</li> </ul>	<p>New participants joining after 1 July 2019.</p> <p>Participants registered prior to 1 July 2019 will not be charged a registration fee.</p>
OTS Code Panel	Variable fee (\$/GJ) levied on all DAA and CTP trades.	1 March 2019

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# 2. Market Fee Structure Detail

## 2.1 Period of fee structure and break-even period to recover costs

### 2.1.1 Final position

A two year term and a three year break-even period to recover costs is final.

Area	Final fee structure
Period of fee structure	Two year term - Period to 30 June 2021 (to align with the maturity of the existing electricity and gas markets fee structure to 30 June 2021).
Break-even period to recover costs	Rolling 3 year break-even period.

Key reasons for the final fee structure:

- Efficiency and consolidated review process for participants and AEMO in aligning all gas function (and electricity function) fee structures to mature on the same date 30 June 2021.
- Certainty on participant future budgets and smoothing of fees using a rolling 3 year break-even period to mitigate short-term price fluctuations from year to year (compared to an annual break-even model). This aligns with current gas fee structures in AEMO.

## 2.2 CTP fee structure

### 2.2.1 Final position

For trading participants, a fixed licence fee will be applicable per annum and a variable fee based on \$/GJ volume levied on daily, weekly and monthly products. Note that existing GSH trading participants will be automatically admitted to trade capacity products and therefore they do not need to pay for an additional licence.

Area	Final fee structure	Date effective
CTP fee structure	Trading participants <ul style="list-style-type: none"> <li>• Fixed fee p.a.– per licence</li> <li>• Variable fee levied on the buyer and seller –               <ul style="list-style-type: none"> <li>*Daily product fee (\$/GJ)</li> <li>*Weekly product fee (\$/GJ)</li> <li>*Monthly product fee (\$/GJ)</li> </ul> </li> </ul>	1 March 2019

Key reasons for the final fee structure:

- Simplicity and reflective of involvement in both GSH markets and CTP being:
  - The CTP will utilise the existing GSH exchange trading platform for the trading of capacity products.
  - Existing trading participants will have automatic access to trading of the new capacity products.
  - The Exchange Agreement will govern the trading and settlement of trades between shippers.

- Similar operating structure and participants across GSH and CTP.

## 2.3 DAA fee structure

### 2.3.1 Final position

A variable fee for the day ahead auction based on capacity/volume final.

Area	Final fee structure	Date effective
DAA fee structure	Variable fee (\$/GJ) levied on capacity of auction products purchased by the buyer.	1 March 2019

Key reasons for the final fee structure:

- Simple and reflective of involvement for participants based on capacity of auction products purchased.

## 2.4 Registrations fee

### 2.4.1 Final position

A fixed registration fee to be levied for new participants for each category (i.e. those not already a GSH participant) in the market effective from 1 July 2019.

Registration fees reflect AEMO's activity across many AEMO internal areas including the time and effort required for each application reviewed by the registrations team, legal and compliance, operational and market, and settlement teams. The dedicated effort particular and specific to each new entrant ensures their involvement in the market will be compliant with rules, integration with AEMO's market system, and settlements and billing.

Area	Final fee structure	Date effective
Registration fee	Fixed registration fee for new participants registered as a result of the capacity trading reform: <ul style="list-style-type: none"> <li>• Facility operators</li> <li>• Auction participants</li> <li>• BB allocation agents</li> <li>• BB transportation facility user and capacity transaction reporting agents</li> </ul>	New participants joining after 1 July 2019.  Participants registered prior to 1 July 2019 will not be charged a registration fee.

Key reasons for the final fee structure:

- Simple and reflective of involvement for AEMO's time and efforts in processing new registrations for each category of participants joining the market.
- AEMO is seeking to recover costs incurred in the registration process on an equitable basis directly from new registrants rather than recovering the cost from the broader market.

## 2.5 OTP Code Panel

### 2.5.1 Final position

A variable fee based on capacity transactions as the fee structure to recover OTP code panel costs.

The OTS Code Panel is a panel of persons established by AEMO 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. The OTS code panel establishment and membership is prescribed by the Rules and is necessary for the functioning of both CTP and DAA markets.

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.

Area	Final fee structure	Date effective
OTS Code Panel	Variable fee (\$/GJ) levied on all CTP and DAA trades.	1 March 2019

Key reasons on the Final fee structure:

- Simple and reflective of involvement using a variable fee based on activity in the secondary capacity markets.

# 3. Appendix – Submissions received from consultation

Submissions received are published on AEMO’s website at <https://www.aemo.com.au/Stakeholder-Consultation/Consultations/Structure-of-Participant-Fees-for-Capacity-Trading-Platform>

Consultation Stage	Company Name	Period of Fee Structure	Fee structure for CTP	Fee structure for DAA	Registration Fee	Fee structure for OTS
First Stage	Australian Pipeline Limited – APA	It would seem prudent to align the fee structure with other participant fees, however the quantum should be reviewed regularly as the market establishes to ensure the volume assumptions used in determining charges are appropriate so as to prevent under or over recovery.	Supportive of AEMO’s proposed fee structure	Supportive of AEMO’s proposed fee structure	The implementation of a registration fee may be appropriate to recover AEMO’s fixed costs in relation to the registration and management of trading participants, however it would be inefficient from an overall cost recovery perspective to apply charges to facility operators or allocation agents who are effectively providing the services required to facilitate trading. In the case of facility operators, who are already subject to separate provisions to recover their own costs, this would likely lead to an on charging of these fees to Shippers which would be an inefficient mechanism to recover AEMO’s costs. The cost of providing these services should be borne by those parties use the service and the costs should be recovered in the most efficient and equitable manner possible. Consideration of registration fees needs to align with the guiding principles of being reflective of involvement and being simple.	Supportive of AEMO’s proposed fee structure
	AEMO’s response	AEMO’s fees are set annually based on updated volume and cost assumptions to ensure fees are reflective of actual cost.	Noted	Noted	AEMO has considered these participant categories and is being guided by the principle of reflective involvement. AEMO is reviewing all registration fees across its markets and is generally seeking to recover costs on a direct basis. It should be noted however, that registration fees for these markets will only impact participants seeking to register after 1 July 2019.	Noted
First Stage	APGA		Supportive of AEMO’s proposed fee structure		APGA’s key concern regarding the AEMO Discussion Paper is <i>Section 3.3 (Registration Fee)</i> of the paper. This section refers to the need to register participants including ‘facility operators’ and ‘BB allocation agents’ (both of which include transmission pipelines), and raises the possibility of charging a	



Consultation Stage	Company Name	Period of Fee Structure	Fee structure for CTP	Fee structure for DAA	Registration Fee	Fee structure for OTS
						registration fee for these and other types of participants.
	AEMO's response		Noted			AEMO has considered these participant categories and is being guided by the principle of reflective involvement. AEMO is reviewing all registration fees across its markets and is generally seeking to recover costs on a direct basis. It should be noted however, that registration fees for these markets will only impact participants seeking to register after 1 July 2019.
First Stage	Jemena Limited	Supportive of AEMO's proposed fee structure	Supportive of AEMO's proposed fee structure	Supportive of AEMO's proposed fee structure	In principle, Jemena supports AEMO's proposal to charge new participants a registration fee for direct costs incurred by AEMO in registering participants.	The principle reason for establishing the OTS Code Panel is to establish standardised contracts for CTP and DAA across the industry which shippers are entitled to enter into with transport providers. The standard Operational Transfer Services Agreement (OTSA) must incorporate the standard terms in the Code. The OTSA Code Panel will consider proposals to amend the Code and make recommendations to the AER on any proposed amendments. Given that the OTS Code has been established to facilitate shippers entering into transportation arrangements for CTP and DAA easily, Jemena considers that most of the costs of the panel should be recovered by shippers. Jemena also considers that a small application fee should be charged by AEMO to recover some of the Panel costs. This fee will encourage applicants to make considered and genuine requests for changes to the Code.
	AEMO's response	Noted	Noted	Noted	Noted	Noted. On the question of a small application fee for Panel applicants, AEMO has decided against doing so at this point in time. AEMO believes that a fee may discourage changes that are of benefit in the relatively early stages the markets. A charge would be payable by the applicant but could benefit many shippers and as such a variable fee is preferred.
First Stage	Origin Energy	Supportive of AEMO's proposed fee structure	Supportive of AEMO's proposed fee structure	A variable transaction fee based on the capacity of auction products purchased by participants is appropriate.	It is important that any costs associated with registering new parties are recovered on an equitable basis from those new parties, rather than through	OTS Code Panel members should be engaged on a voluntary basis.

Consultation Stage	Company Name	Period of Fee Structure	Fee structure for CTP	Fee structure for DAA	Registration Fee	Fee structure for OTS
					additional market charges. Participants already registered on the GSH should also not be required to pay a registration fee to use the CTP, given they share the same trading platform.	
	<b>AEMO's response</b>	<b>Noted</b>	<b>Noted</b>	<b>Noted</b>	<b>Noted</b>	<b>Noted</b>
First Stage	SEA Gas	Supportive of AEMO's proposed fee structure	SEA Gas is not a participant in the GSH and so is unfamiliar with the structures and mechanisms of the GSH exchange trading platform, however we consider that alignment of the CTP fee structure with the DAA fee using a variable transaction fee based on quantity of capacity traded structure should be considered.	Supportive of AEMO's proposed fee structure	In line with the GSH and GBB, SEA Gas considers that it is not appropriate to charge a registration fee for participation in the new market. Participants will be incurring their own costs to participate in the CTP and DAA already, further fees may be considered a barrier to entry. Further, facility operators must participate and therefore register in the market due to their reporting obligations and are likely to be acting as allocation agents as well. Auction participants however can optionally participate in the market. Application of fees to participants that cannot opt out of a market goes against the NGO principle that fees should not unreasonably discriminate.	In the interests of simplicity, SEA Gas considers that costs associated with the OTS Code Panel should be recovered through the fees applied to the CTP and DAA, as the OTS Code applies equally to both markets
	<b>AEMO's response</b>	<b>Noted</b>	<b>Noted</b>	<b>Noted</b>	<b>AEMO has considered these participant categories and is being guided by the principle of reflective involvement. AEMO is reviewing all registration fees across its markets and is generally seeking to recover costs on a direct basis. It should be noted however, that registration fees for these markets will only impact participants seeking to register after 1 July 2019.</b>	<b>Noted</b>
First Stage	Tasmanian Gas Pipeline (TGP)				TGP is concerned that facility operators will be charged a registration fee to register in the Gas Supply Hub(GSH) or the Gas Bulletin Board (GBB). It is our view that facility operators are already incurring significant cost and business disruption as a result of the introduction of the CTP and DAA including preparation of new contracts and changing operating systems and processes. Consequently, facility operators should not be required to pay a fee to register in the GSH or Gas Bulletin Board. The GSH and GBB exist for the benefit of shippers and end users. Any such fee will be a pass- through cost and ultimately	Supportive of AEMO's proposed fee structure

Consultation Stage	Company Name	Period of Fee Structure	Fee structure for CTP	Fee structure for DAA	Registration Fee	Fee structure for OTS
					be borne by the market participant. TGP suggests that levying the cost on facility operators will only increase administrative costs to be passed through and so it would be more efficient to levy the fee directly on market participants.	
	AEMO's response				AEMO has considered these participant categories and is being guided by the principle of reflective involvement. AEMO is reviewing all registration fees across its markets and is generally seeking to recover costs on a direct basis. It should be noted however, that registration fees for these markets will only impact participants seeking to register after 1 July 2019.	Noted
Second Stage	Australia Pacific LNG Pty Limited (APLNG)	Supportive of AEMO's proposed fee structure	Supportive of AEMO's proposed fee structure	Supportive of a variable fee structure reflective of a participant's activities in the auction to the extent the fee is reflective of each participant's use.	Supportive of a registration fee for new participants to cover the costs to review each application. APLNG assumes that there is no overlap between the registration fee and the fixed licensing fee for the CTP.	Expect that the costs associated with the OTS Code Panel will be small and that time related to persons representing transportation service providers and facility users should be volunteered. Any remaining costs should be recovered from the variable fee associated with both the CTP and OM.
	AEMO's response	Noted	Noted	Noted	The licence fee is separate to the registration fee.	The rules require that the costs of members (other than AEMO's member) will not be borne by AEMO or recouped by AEMO as part of the capacity trading and auction costs
Second Stage	Origin Energy	Supportive of AEMO's proposed fee structure	Supportive of AEMO's proposed fee structure	Supportive of AEMO's proposed fee structure	It is appropriate that participants already registered on the Gas Supply Hub (GSH) should also not be required to pay a registration fee to use the Capacity Trading Platform (CTP), given they share the same trading platform.	Supportive of AEMO's proposed fee structure
	AEMO's response	Noted	Noted	Noted	Organisations that are registered as a Trading Participant in the GSH will automatically be given access to capacity products and are not required to register for the CTP.	Noted
Second Stage	Shell Australia	Supportive of AEMO's proposed fee structure	Supportive of aligning the fee structure of the Capacity Trading Platform (CTP) with that of the existing Gas Supply Hub (GSH). It is unclear if the proposal includes a fixed fee for the GSH market and a fixed fee also for the CTP, though given the automatic access on the trading platform for existing participants, an additional fee to use the CTP should not be required. Should a fixed fee be	Supportive of a variable transaction fee based on capacity purchased on the Day Ahead Auction (DAA) platform.	The implementation of registration fees across all areas of the capacity trading reform package may not be an efficient and equitable approach. A registration fee for new market participants or reporting entities to the CTP, DAA and National Gas Bulletin Board might be appropriate to recover costs to AEMO for the management of the registration process and platforms however, the	The methodology for allocating these costs will be dependent on the magnitude of these costs. At this point there is no evidence to suggest they will be significant (i.e. no IT set-up, which is expensive) rather they will most likely relate to administrative activities. As such, they should either be absorbed by AEMO or bundled as part of the broader gas market participant fees. We view

Consultation Stage	Company Name	Period of Fee Structure	Fee structure for CTP	Fee structure for DAA	Registration Fee	Fee structure for OTS
			applied to the CTP module, existing participants should have the option to opt out.		industry would benefit from an estimate and overview of costs incurred and where appropriate, incremental costs are incurred to existing platforms.	these costs as similar to those associated with the various industry reference groups and as far as we are aware these are not specifically allocated.
	AEMO's response	Noted	Existing GSH trading participants will be automatically admitted to trade capacity products and therefore they do not need to pay for an additional licence.	Noted	The fees for registration are reflective of costs incurred by AEMO in the registration process only, and these fees will be published separately to this final decision.	These fees will be applied to CTP and DAA transactions. This is consistent with how AEMO allocates the costs associated with industry reference groups (including administration) directly to the relevant markets only.