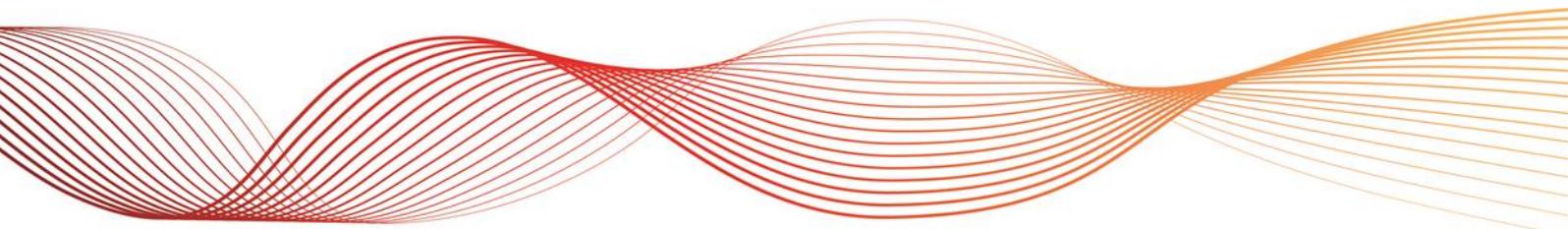




# VICTORIAN ELECTRICITY TRANSMISSION SYSTEM FINAL BUDGET AND FEES 2017-18

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Note – all amounts quoted in this document are exclusive of GST.



# 1. INTRODUCTION

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 2017-18 Victorian Electricity Transmission System (TNSP) budget provides information on the revenue required to recover the costs of this function.

The Transmission Use of System Charge (TUOS) revenue is calculated on an annual break-even basis, predominantly influenced by network charges billed by the Victorian electricity transmission network owners and by estimations of settlement residue receipts.

AEMO, in line with the National Electricity Rules (NER), will calculate TUOS prices based on approved revenue requirements. These prices are charged in accordance with the AEMO Amended Pricing Methodology, (determination set from 1 July 2014 to 30 June 2019), approved by the Australian Energy Regulator (AER). TUOS prices will be published by 31 May 2017.

For any questions relating to this report please contact Jack Fitcher, Chief Financial Officer, on 03 9609 8506 or via email on [jack.fitcher@aemo.com.au](mailto:jack.fitcher@aemo.com.au).

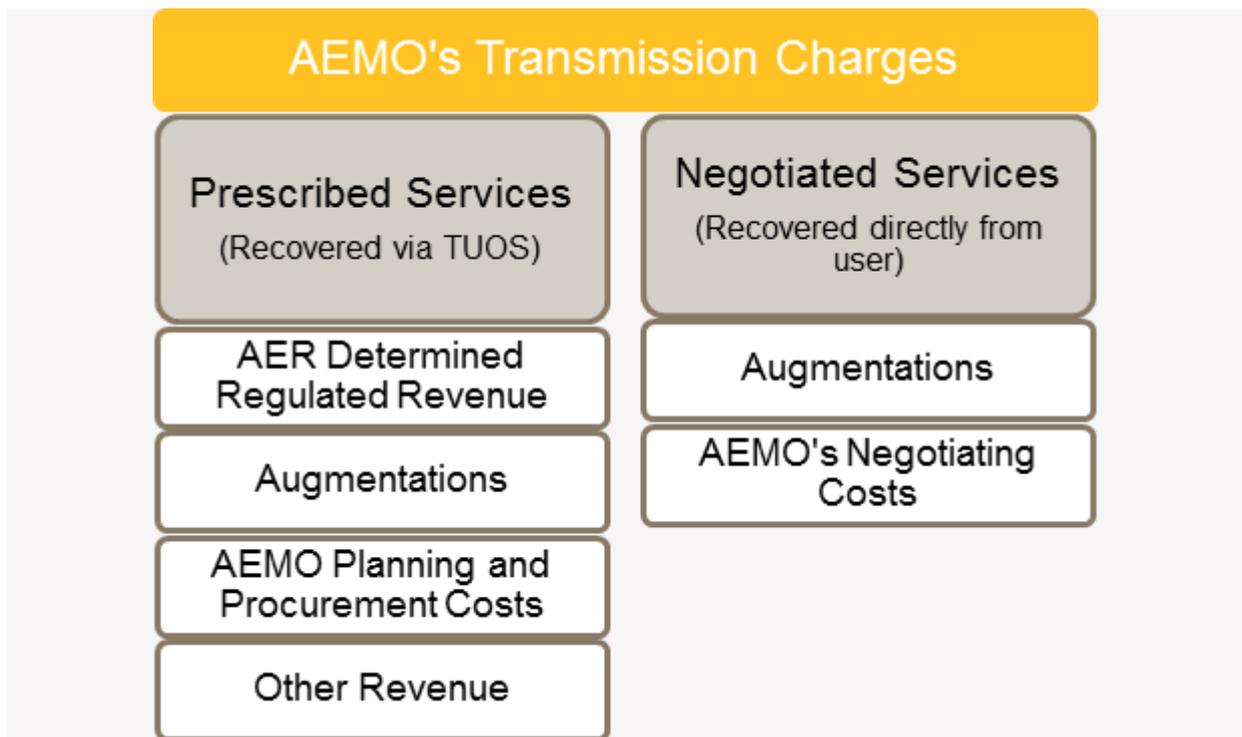
## 2. TUOS REVENUE REQUIREMENT

### 2.1 Overview of TUOS revenue calculation

The TUOS revenue is calculated in accordance with the revenue methodology for the Victorian Electricity Transmission Network.

Figure 1 provides an overview of AEMO's transmission charges in accordance with its revenue methodology.

**Figure 1 Overview of AEMO's Transmission Charges**



## 2.2 Revenue requirement

TUOS revenue is budgeted to decrease by \$22.0M (4%) in 2017-18. This decrease in fees is primarily due to higher inter-regional TUOS receipts (\$9.8M) and the return of the 2016-17 forecast surplus, resulting from positive settlement residue.

AusNet Services regulated network charges make up most costs in this function. The budgeted 2017-18 TUOS revenue requirement is based on an estimate of AusNet Services' network charges in the AusNet revenue determination for the period of 1 April 2017 to 31 March 2022, due to be approved in April 2017 by the AER.

**Table 1 VIC TNSP projected total revenue**

Fee	Actual 2016-17 (\$'000)	Budget 2017-18 (\$'000)	Estimate 2018-19 (\$'000)	Estimate 2019-20 (\$'000)	Estimate 2020-21 (\$'000)	Estimate 2021-22 (\$'000)
TUOS fees	496,548 -3%	474,580 -4%	TBC	TBC	TBC	TBC

The 2017-18 TUOS revenue calculation is detailed in Table 2 below.

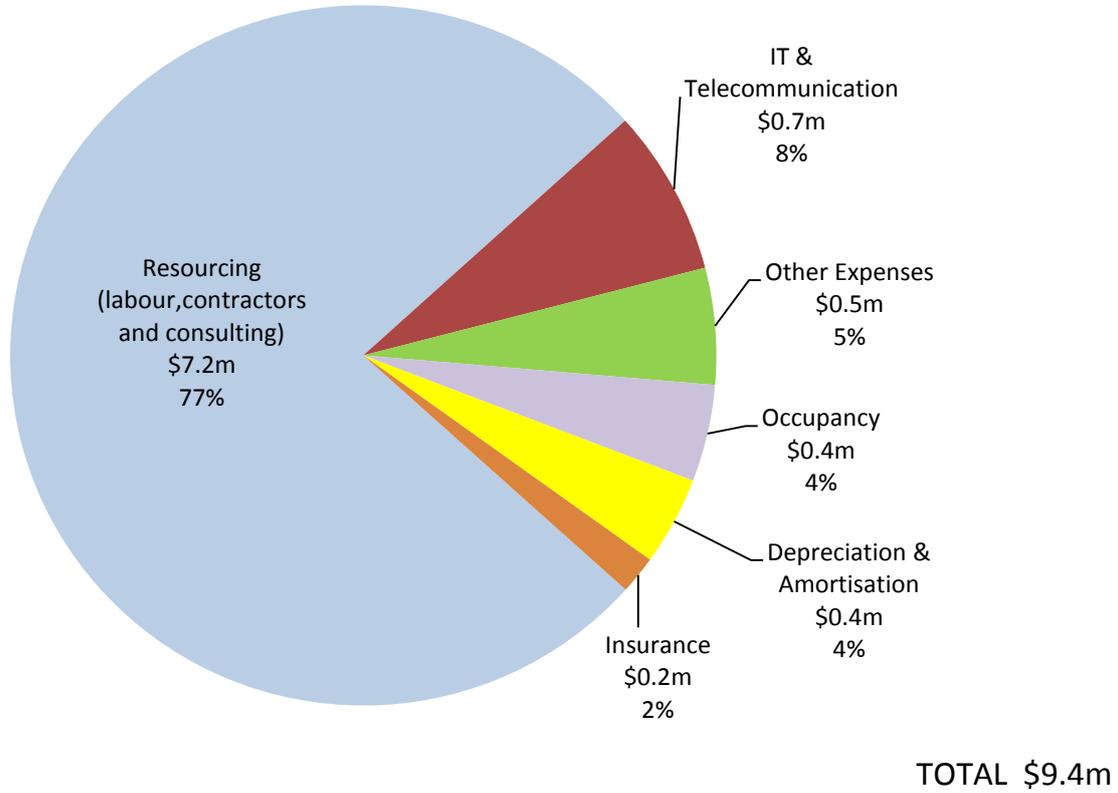
**Table 2 Calculation of TUOS revenue**

TUOS Revenue Requirement	Budget 2017-18 \$'000
<b><u>Expenditure</u></b>	
Network charges:	
Victorian network charges	571,366
Inter-Regional TUOS	(22,713)
	<hr/> 548,653
AEMO Planning & Procurement Costs	9,431
<b><u>Less: Other Revenue</u></b>	
Settlement Residue	(38,289)
Other Revenue	(35,868)
<b><u>Add:</u></b>	
Net Brought Forward Surplus	(9,347)
<b>TUOS Revenue Requirement</b>	<b>474,580</b>

## 2.3 Revenue and Expenditure

AEMO's planning and procurement costs of \$9.4m are detailed below in Figure 2.

**Figure 2 Expenditure by category 2017-18**



**Table 3 Profit and Loss statement 2017-18 and comparison**

	Budget	Budget	Variance	
	2016-17 \$'000	2017-18 \$'000	\$'000	%
TUOS fees	496,548	474,580	(21,968)	-4%
Settlement Residue	26,594	38,289	11,695	+44%
Other Revenue	26,456	35,868	9,412	+36%
<b>Total Revenue</b>	<b>549,598</b>	<b>548,736</b>	<b>(862)</b>	<b>-0%</b>
Network Charges	(540,011)	(548,652)	(8,640)	+2%
<b>Net Revenue</b>	<b>9,587</b>	<b>84</b>	<b>(9,503)</b>	<b>-99%</b>
Resourcing (labour, contractors and consulting)	5,569	7,204	1,635	+29%
Fees - Agency, Licence & Audit	30	45	15	+50%
IT & Telecommunication	568	732	164	+29%
Occupancy	347	413	66	+19%
Insurance	152	162	9	+6%
Other Expenses	453	497	44	+10%
Depreciation & Amortisation	231	378	147	+64%
<b>Total Expenditure</b>	<b>7,350</b>	<b>9,431</b>	<b>2,081</b>	<b>+28%</b>
<b>Surplus/(Deficit)</b>	<b>2,237</b>	<b>(9,347)</b>	<b>(11,584)</b>	
Brought Forward Surplus/(Deficit)	(2,237)	9,347		
<b>Accumulated Surplus/(Deficit)</b>	<b>0</b>	<b>0</b>		

**Key Points:**

- Expenditure for 2017-18 is estimated to be \$2.1M (28%) higher than the 2016-17 budget. This is mainly due to:
  - **Resourcing costs (+\$1.6m)**  
Resourcing costs are budgeted to increase in 2017-18 due to additional resources required for work on the Victorian Renewable Energy Target (VRET). This increase is recovered via an increase in revenue included in Other Revenue above.
  - **IT & Telecommunication costs (+\$0.2m)**  
IT & Telecommunication costs are budgeted to increase in 2017-18 due to increased investment in core IT infrastructure and systems, such as the upgrade to our Energy Management System and Oracle platform, to ensure these systems remain current and supported and, where appropriate, are consolidated to reduce future maintenance costs.
  - **Depreciation & Amortisation costs (\$0.2m)**  
Depreciation & Amortisation costs are budgeted to increase in 2017-18 due to increased investment to ensure systems are fit for purpose and supported.



## LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
IR TUOS	Inter-regional Transmission Use of System
TNSP	Transmission Network Service Provider
TUOS	Transmission Use of System
VIC	Victorian
NA	not applicable