



**SOUTH AUSTRALIA FULL
RETAIL CONTESTABILITY GAS
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.

AEMO has a broad range of functions and each is underpinned by a fee structure developed in consultation with stakeholders and in line with national rule requirements. The fee structures detail how AEMO will calculate fees and who will be charged. The current participant fee structure for AEMO's gas markets is from 1 July 2015 to 30 June 2018.

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

The 2017-18 South Australia (SA) Full Retail Contestability (FRC) gas budget provides a view of the 2017-18 SA gas fee, revenue and expenses, and fee estimates for the following four-year period.

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.



2. SOUTH AUSTRALIA FRC GAS

2.1 Fees

The South Australia FRC fee will reduce by 13% in 2017-18, and by a further 13% in the following two years to return an accumulated surplus from prior years in the function. This is slightly higher than the 11% reduction estimated in last year’s budget.

The fee is then expected to increase in the following years after the surplus is fully returned to achieve a break-even position.

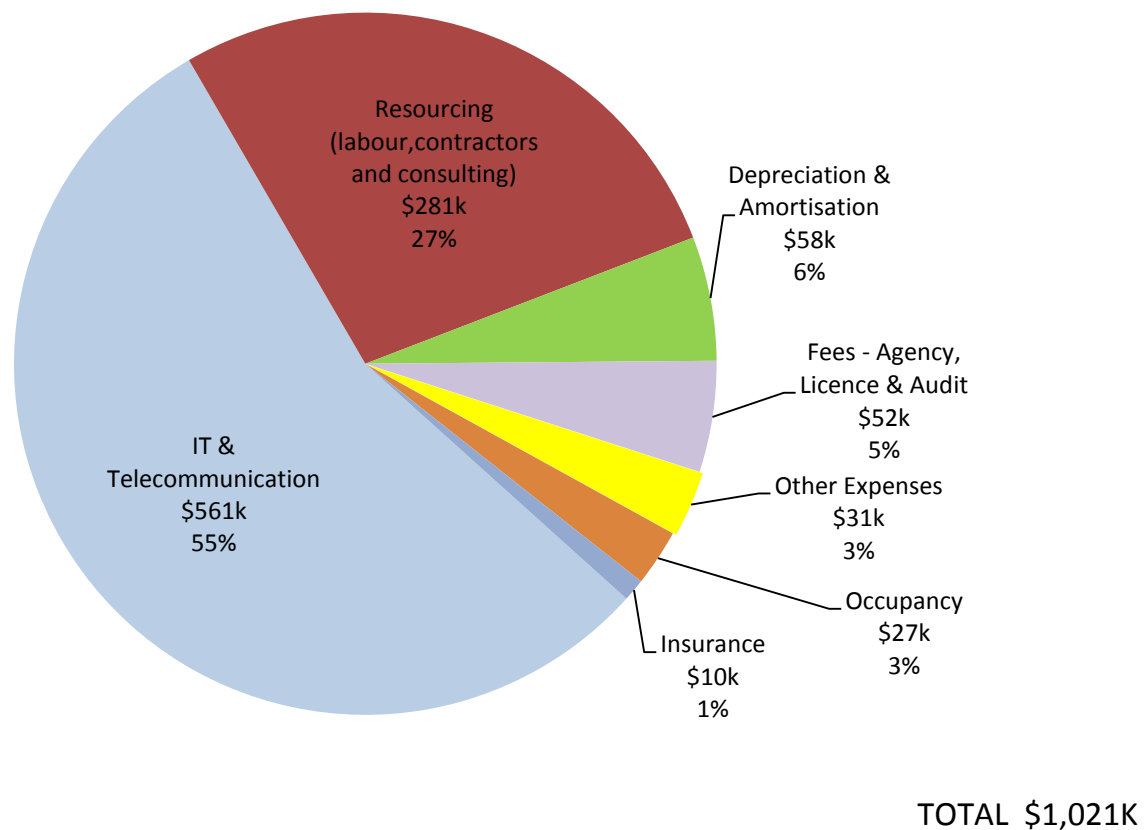
Costs for this function have decreased by 19%, mainly due to savings in systems costs due to renegotiated contracts.

Fee	Actual 2016-17	Budget 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22
FRC Fee (\$ per customer supply point per month)	0.25994	0.22615	0.19675	0.17117	0.16946	0.16777
	-11%	-13%	-13%	-13%	-1%	-1%
Initial Registration Fee (\$ per participant)	11300	11,300	TBC	TBC	TBC	TBC

2.2 Revenue and Expenditure

The expenditure is detailed below in Figure 1 by expenditure category

Figure 1 Expenditure by category 2017-18



**Table 1 Profit and Loss statement 2017-18 and comparison**

	Budget 2016-17	Budget 2017-18	Variance	
	\$'000	\$'000	\$'000	%
Fees and tariffs	1,413	1,249	(164)	-12%
Other Revenue	1	4	4	+100%
Total Revenue	1,414	1,253	(161)	-11%
Resourcing (labour, contractors and consulting)	322	281	(41)	-13%
Fees - Agency, Licence & Audit	50	52	3	+5%
IT & Telecommunication	756	561	(195)	-26%
Occupancy	33	27	(6)	-18%
Insurance	14	10	(4)	-27%
Other Expenses	39	31	(8)	-20%
Depreciation & Amortisation	56	58	3	+5%
Total Expenditure	1,269	1,021	(248)	-20%
Surplus/(Deficit)	145	232	87	
Brought Forward Surplus/(Deficit)	210	303	94	
Accumulated Surplus/(Deficit)	354	535		

Key Points:

- Revenue for 2017-18 is estimated to be \$0.2M (11%) lower than the 2016-17 budget.
- Expenditure for 2017-18 is estimated to be \$0.2M (20%) lower than 2016-17 budget with the major change being a reduction of IT costs as a result of the renegotiation of support contracts.



3. GAS STATEMENT OF OPPORTUNITIES

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

Costs for this function have increased due to additional modelling work required for the National Gas Forecasting Report (NGFR).

The 2017-18 fee is lower than the fee estimated as part of the 2016-17 budget process.

Table 2 Gas SOO projected fees

Fee	Actual 2016-17	Budget 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22
Gas Statement of Opportunities	0.03198	0.03518	0.03870	0.04257	0.04257	0.04257
(\$ per customer supply point per month)	+13%	+10%	+10%	+10%	+0%	+0%



4. ENERGY CONSUMERS AUSTRALIA

In May 2014, the Council of Australian Governments (COAG) Energy Council approved the establishment of Energy Consumers Australia (ECA) to promote the long term interests of energy consumers, in particular residential and small business customers.

AEMO is required to recover the funding for the ECA from market participants.

The below table reflects the fees to be collected for 2017-18.

Table 3 ECA projected fees

ECA Fees	Actual 2016-17	Budget 2017-18
Gas (\$ / customer supply point per month)	0.03183 +2%	0.03199 +1%



LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
AEMO	Australian Energy Market Operator
COAG	Council of Australian Governments
ECA	Energy Consumers Australia
FRC	Full Retail Contestability
GSOO	Gas Statement of Opportunities
NA	not applicable
SA	South Australia
TBC	to be confirmed