



STTM 2018-19 AEMO Final Budget and Fees

June 2018

Australian Energy Market Operator Limited

Executive Summary

Introduction

AEMO operates on a cost recovery basis as a company limited by guarantee under the Corporations Act (2001). AEMO recovers all 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 the national rule requirements. The fee structures detail how AEMO will calculate fees and who will be charged. AEMO's annual budget sets out the amounts that will be charged under these fee structures.

This report provides a view of the final 2018-19 STTM fees, revenue and expenses, and fee estimates for the following four-year period.

The key points of the 2018-19 final budget are:

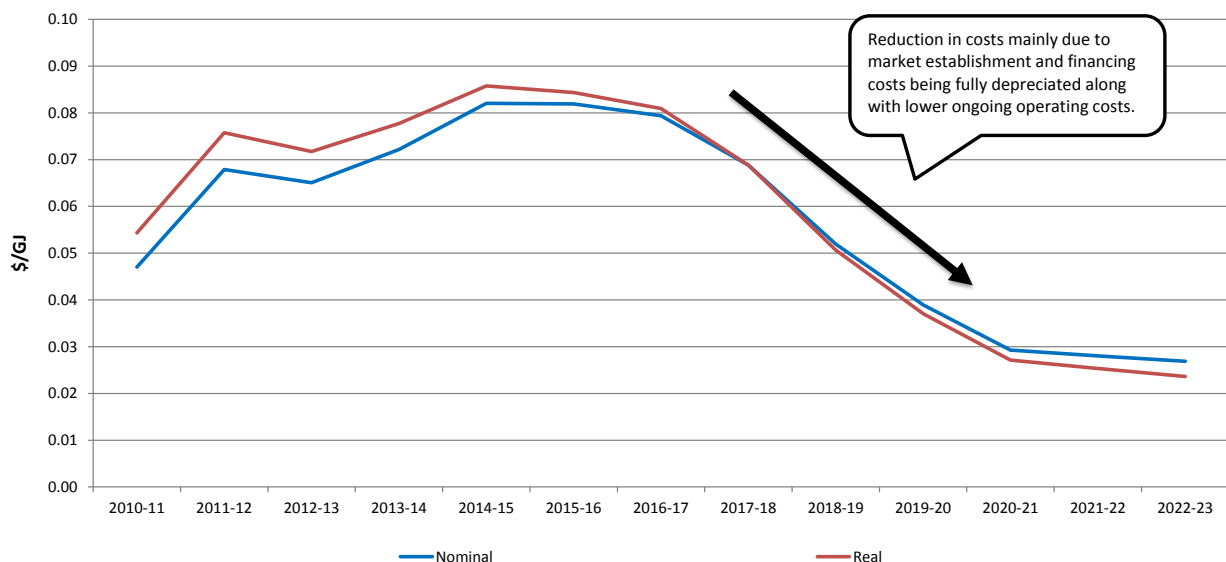
- STTM fees in 2018-19 are 0.05192 (25% lower compared to 2017-18) with further reduction in forward years.
- AEMO will continue to manage our costs prudently to reduce the impact of fee increases to market participants, and we will identify further opportunities for efficiencies.

1.1 Summary of Fees

Table 1 Summary of Fees

Fee	Actual 2017-18	Budget 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
Activity Fee	0.06884	0.05192	0.03895	0.02928	0.02804	0.02686
(\$/GJ withdrawn)	-13%	-25%	-25%	-25%	-4%	-4%

Figure 1 Short Term Trading Market (STTM) projected fees



Real values are the nominal amounts adjusted for inflation. Prices have been calculated relatively to the 2017-18 price.

1.2 Contact for inquiries

AEMO contact for inquiries

For all queries on budget and fees, please contact:

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2. Short Term Trading market (STTM)

2.1 STTM Fees

Purpose of this function The purpose of the STTM is to enable a wholesale market gas balancing mechanism at the gas hubs – Sydney, Adelaide and Brisbane.

The market is a day ahead market for each hub, and the market sets a daily market price.

The STTM function provides the following broad services:

- Market operations and systems
- Market Operator Service (MOS) – AEMO recovers the pipeline operators' service costs for their portion of operating costs in relation to the STTM and recovers this from participants.
- Wholesale metering and settlements
- Prudential management.

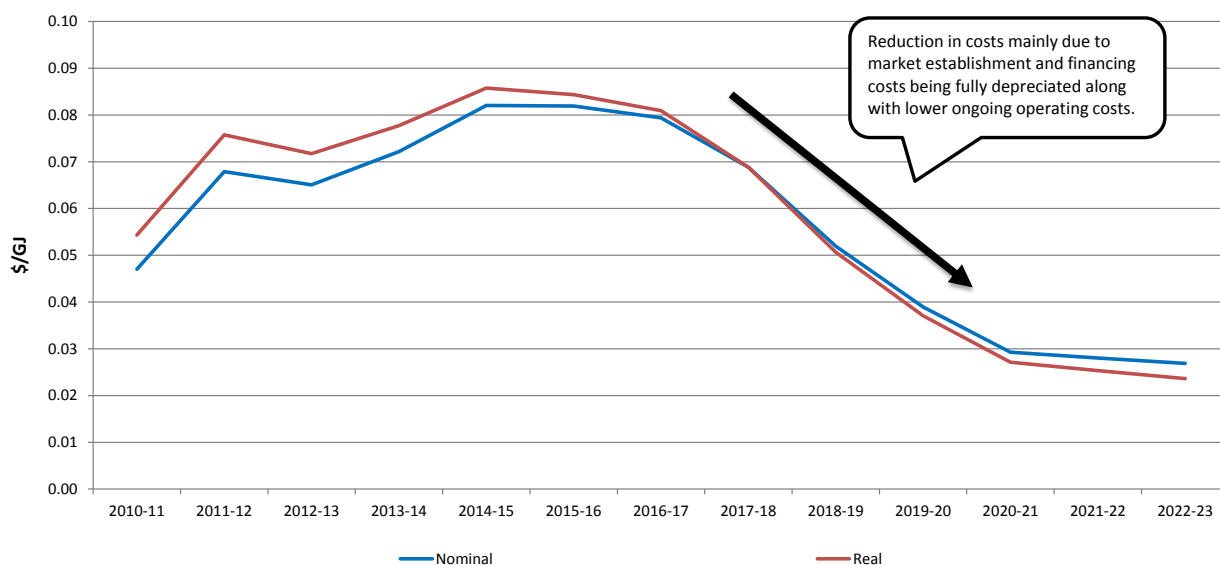
Fees The current STTM fee is \$0.06884/GJ.

This fee will decrease to \$0.05192/GJ in 2018-19 (a 25% decrease from 2017-18) due to market establishment and financing costs being fully depreciated along with lower ongoing operational costs.

Table 2 STTM projected fees

Fee	Actual 2017-18	Budget 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
Operating Component	0.06677 -13%	0.04874 -27%	0.03607 -26%	0.02633 -27%	0.02501 -5%	0.02376 -5%
MOS Component	0.00207 -22%	0.00318 +54%	0.00288 -9%	0.00295 +2%	0.00303 +3%	0.00310 +2%
Activity Fee (\$/GJ withdrawn)	0.06884 -13%	0.05192 -25%	0.03895 -25%	0.02928 -25%	0.02804 -4%	0.02686 -4%
GBB Component	N/A	0.00250	TBC	TBC	TBC	TBC
Total fee (\$/GJ withdrawn)	0.06884	0.05442	TBC	TBC	TBC	TBC
PCF Fee - Syd (\$/GJ withdrawn per hub per ABN)	0	0	TBC	TBC	TBC	TBC
PCF Fee - Adel (\$/GJ withdrawn per hub per ABN)	0	0	TBC	TBC	TBC	TBC
PCF Fee - Bris (\$/GJ withdrawn per hub per ABN)	0	0	TBC	TBC	TBC	TBC

Figure 2 STTM projected fees



Real values are the nominal amounts adjusted for inflation. Prices have been calculated relative to the 2017-18 price.

2.2 STTM Energy Consumption

STTM energy consumption has forecast in 2017-18 to increase due to the restart of the mothballed Swanbank E GPG in Queensland (Brisbane hub). Meanwhile the Adelaide and Sydney hub is forecast to decline slightly in 2018-19 due to lower industrial energy forecast.

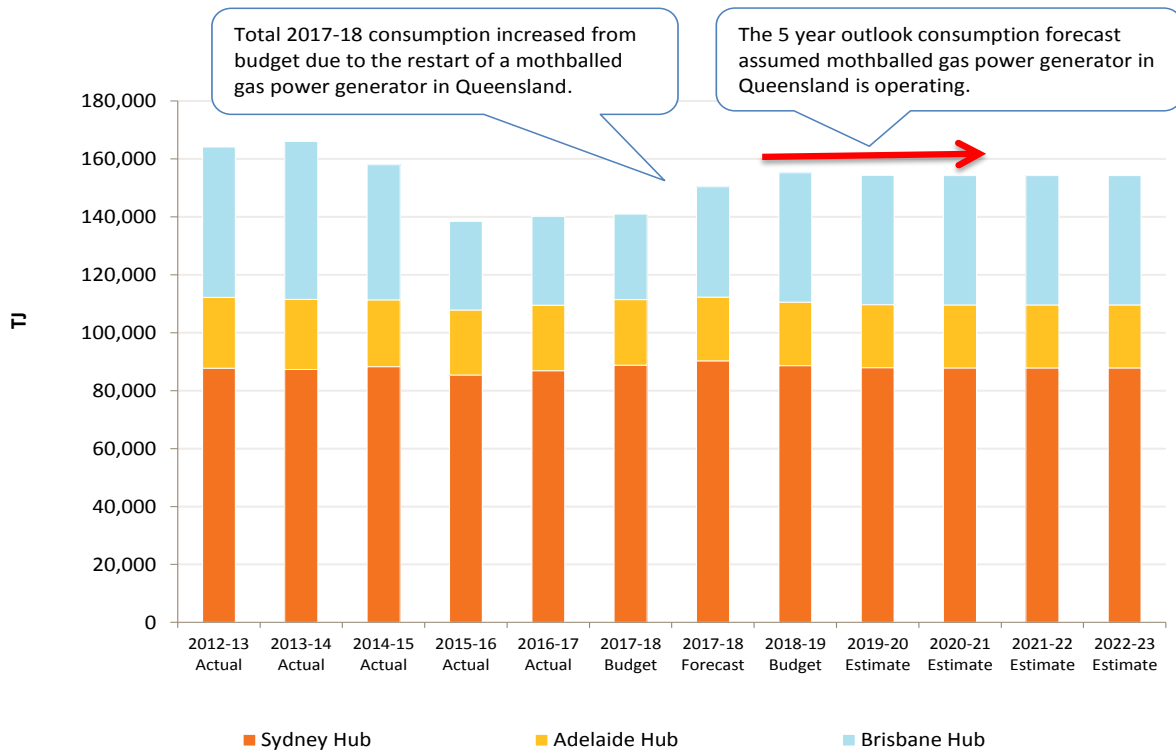
AEMO STTM fee methodology levies fees on a **\$ per GJ withdrawn**. An energy consumption forecast is factored into the calculation of the AEMO fees.

Table 3 DWGM energy consumption

TJs	Budget 2017-18	Forecast ¹ 2017-18	Budget 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
Adelaide	22,576	21,966	21,924	21,793	21,793	21,793	21,793
Brisbane	29,584	38,157	44,671	44,671	44,671	44,671	44,671
Sydney	88,842	90,318	88,640	87,899	87,812	87,832	87,832
TOTAL	141,002	150,442	155,234	154,362	154,275	154,296	154,296
		+6.7%	10.1%	-0.6%	-0.1%	+0.0%	+0.0%

¹ Forecast annual 2018-19 consumption as at April 2018.

Figure 3 STTM energy consumption



2.3 Revenue and Expenditure

The expenditure is detailed below in Figure 4 by expenditure category

Figure 4 Expenditure by category 2018-19

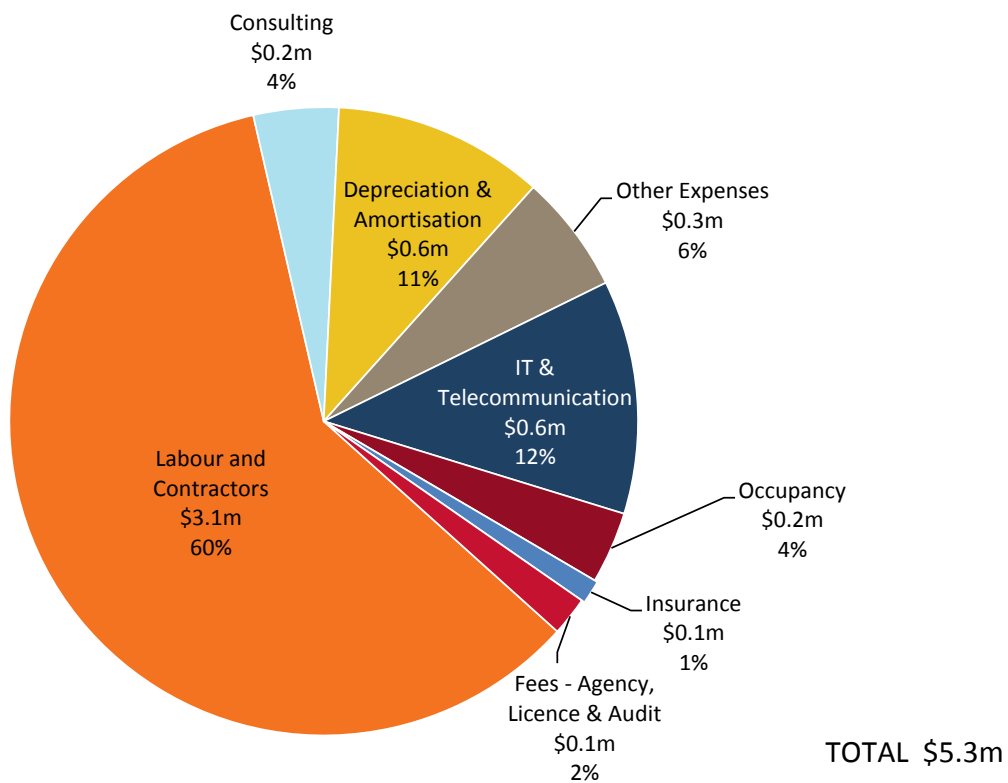


Table 4 Profit and Loss statement 2018-19 and comparison - DWGM

	Budget	Budget	Variance	
	2017-18 \$'000	2018-19 \$'000	\$'000	%
Fees and tariffs	9,415	7,566	(1,849)	-20%
Other Revenue	90	221	131	+146%
Total Revenue	9,505	7,787	(1,718)	-18%
Labour and Contractors	4,042	3,145	(897)	-22%
Consulting	201	231	30	+15%
Fees - Agency, Licence & Audit	93	105	12	+13%
IT & Telecommunication	609	633	24	+4%
Occupancy	242	195	(48)	-20%
Insurance	86	64	(22)	-26%
Other Expenses	323	322	(2)	-1%
Depreciation & Amortisation	1,325	571	(753)	-57%
Total Expenditure	6,921	5,265	(1,656)	-24%
Surplus/(Deficit)	2,584	2,522	(62)	
Transfer to PCF	(42)	(39)	3	
Brought Forward Surplus/(Deficit)	151	4,595	4,444	
Accumulated Surplus/(Deficit)	2,693	7,078		

Key points to 2018-19 profit and loss

Revenue

- Lower revenue in 2018-19 due to lower operating fee. Fee reduced mainly to return prior year surplus couple with lower ongoing operational costs.

Expenditure

- Labour and contractor costs are lower in 2018-19 increase in resource efficiency.
- Depreciation and amortisation are lower in 2018-19 due to the STTM market system being fully depreciated.

2.4 PCF fees

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

Sydney Hub

The Sydney hub's PCF funding requirement 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 PCF at the end of the relevant financial year.

The estimated balance of the PCF at 30 June 2018 is \$0.8M.

The funding requirement for 2018-19 is \$Nil.

Adelaide Hub

The Adelaide hub's PCF funding requirement 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 2018 is \$0.4M.

The funding requirement for 2018-19 is \$Nil.

Brisbane Hub

The Brisbane hub's PCF funding requirement 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 2018 is \$0.5M.

The funding requirement for 2018-19 is \$Nil.

3. Market Operator Services (MOS) Costs

3.1 Fees

Purpose of this function	<p>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.</p> <p>MOS costs are a straight pass-through to pipeline operators and therefore AEMO intends to recover these costs in the same financial year that payment is required to be made to pipeline operators.</p>
Fees	<p>Total MOS costs to be recovered in 2018–19 are estimated to be \$0.4M.</p> <p>MOS costs have been included in the STTM activity fee.</p>
Other	<p>In accordance with the NGR, pipeline operators must not issue AEMO with a tax invoice for MOS allocation costs for the 2016-17 financial year until after 1 July 2017. Once these invoices are received, AEMO will publish them and seek comment on whether there is any objection to payment of the invoices.</p>

Table 5 Estimated recovery of MOS costs

MOS	Forecast 2017–18 (\$'M)	Budget 2018–19 (\$'M)	Estimate 2019–20 (\$'M)	Estimate 2020–21 (\$'M)
Sydney hubs	0.1	0.1	0.1	0.1
Adelaide hubs	0.1	0.2	0.2	0.3
Brisbane hub	0.1	0.1	0.1	0.1
Total MOS costs	0.3	0.4	0.4	0.5

4. Gas Bulletin Board (GBB)

Purpose of this function	<p>The Gas Bulletin Board (GBB) is a communications system that provides information relating to gas production, transmission, storage and usage for facilities that are connected to the east coast gas market.</p> <p>GBB provides market participants timely data to assist in decision making. This includes capacity outlooks, nominations and forecasts, actual flows, line pack adequacy, additional information for maintenance planning.</p>
Fees	<p>The current recovery costs for the GBB is \$1.4m.</p> <p>This fee is proposed to increase to \$2.0m or by +40% in 2018-19 mainly to reflect improvements to the Gas Bulletin Board project. This project will enhance the breadth and accuracy of information provided to the market.</p>
Other notes	<p>A review of the structure of all gas fees has recently been completed. As a result, from 1 July 2018, GBB fees will be levied as follows:</p> <ul style="list-style-type: none"> 50% to producers based on a flat rate (\$ per gigajoule) based on actual quantities of gas produced 50% to participants in wholesale gas markets based on a flat rate (\$ per gigajoule) for gas withdrawn from the Victorian Declared Transmission System or the STTM hubs.

Table 6 Projected GBB fees

Fee	Budget 2018-19 (\$'000)
Participants in Wholesale Gas Market (\$/GJ)	0.0025

Table 7 Projected GBB costs to be recovered

Fee	Actual 2017-18 (\$'000)	Budget 2018-19 (\$'000)	Estimate 2019-20 (\$'000)	Estimate 2020-21 (\$'000)	Estimate 2021-22 (\$'000)	Estimate 2022-23 (\$'000)
Gas Bulletin Board	1,429	1,997	2,196	2,416	2,126	1,871
	-13%	+40%	+10%	+10%	-12%	-12%

List of Abbreviations

Term	Definition
AEMO	Australian Energy Market Operator
GBB	Gas Bulletin Board
GJ	Gigajoule
GPG	Gas Powered Generation
MOS	Market Operator Services
NA	Not applicable
NGR	National Gas Rules
PCF	Participant Compensation Fund
STTM	Short Term Trading Market
TBC	To be Confirmed
TJ	Terajoule