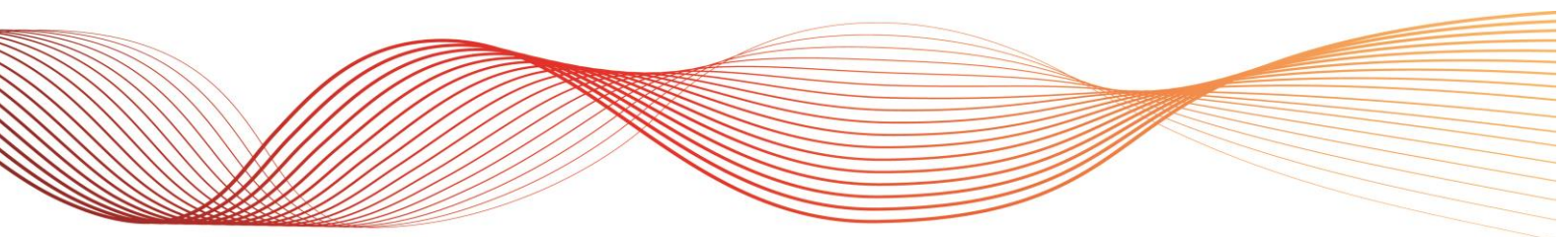


**NSW/ACT FULL RETAIL
CONTESTABILITY GAS
FINAL BUDGET AND FEES: 2015-16**

PUBLISHED MAY 2015





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EXECUTIVE SUMMARY

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 NSW/ACT Full Retails Contestability (FRC) gas function is underpinned by a fee structure developed in consultation with stakeholders and in line with requirements under the National Gas Rules (NGR). The fee structure details how AEMO will calculate fees and who it charges. In March 2015, AEMO published its final fee structure for AEMO’s gas markets, covering the period from 1 July 2015 to 30 June 2018.

This document sets out the final 2015-16 budget and fees for NSW/ACT FRC gas function.

In budgeting for 2015-16, AEMO has continued to apply strong commercial discipline to control costs to reduce the impact of fee increases to market participants.

Table 1 Key points

<ul style="list-style-type: none"> Revenue requirement remains the same as 2014-15. 		<p>NSW/ACT FRC Gas revenue requirement \$2M (\$2M in 2014-15)</p> <p>GSOO fee \$0.0283 (\$0.0283 in 2014-15)</p>
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Contacts

For questions regarding the contents of this report, please do not hesitate to contact:

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1 NSW / ACT FRC GAS

1.1 Fees

The NSW/ACT FRC gas fee is calculated on a 3 year rolling break-even period.

Unlike AEMO's other FRC gas markets, the NSW FRC market does not have a fee per meter charge. NSW FRC fees are predominantly charged on a market share basis and a meter churn basis.

AEMO's costs to provide this service have remained flat for 2015-16 compared to 2014-15 however, will increase from 2016-17 as the gas hub upgrade project and the NSW/ACT retail gas harmonisation project are completed.

Table 2 NSW FRC Gas Projected Fees

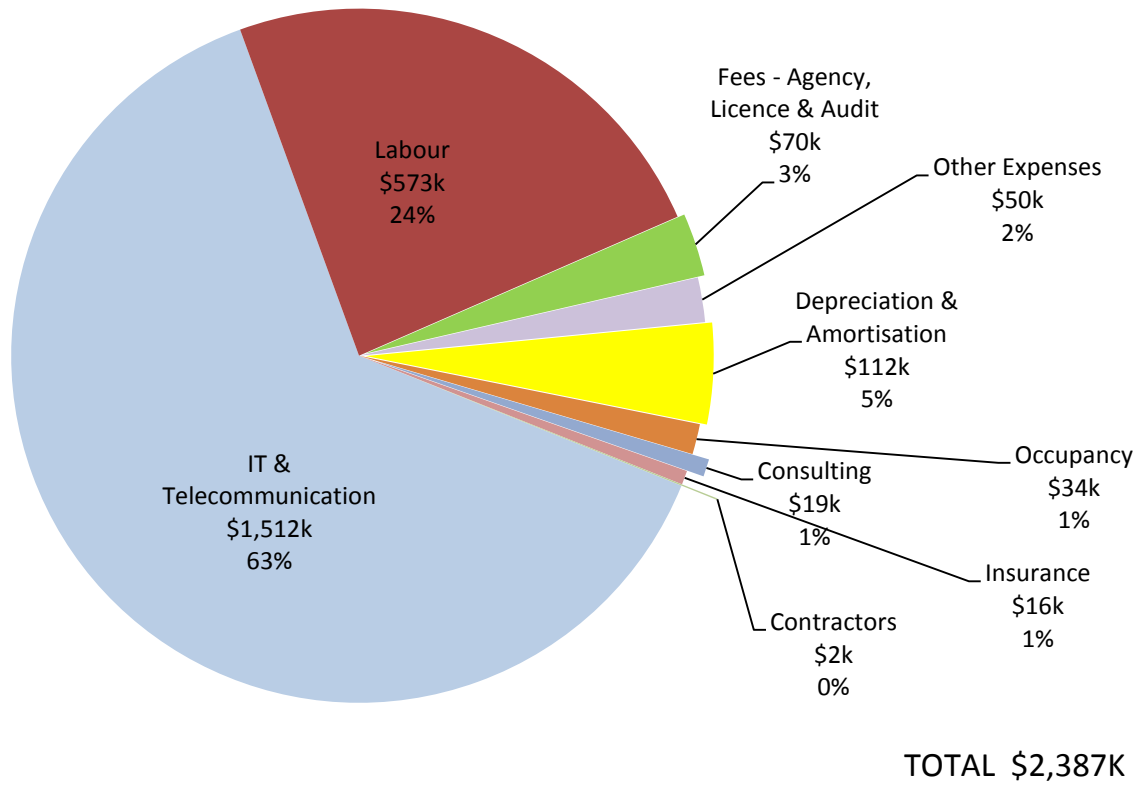
	Actual 2014-15 (\$'000)	Estimate 2015-16 (\$'000)	Estimate 2016-17 (\$'000)	Estimate 2017-18 (\$'000)	Estimate 2018-19 (\$'000)	Estimate 2019-20 (\$'000)
Total Participant Revenue	2,000	2,000	3,000	3,200	3,400	3,400
Total Expenditure	2,214	2,387	3,270	3,333	3,397	3,404
Gas Statement of Opportunities (total to be recovered from NSW FRC participants)	475	489	573	672	754	597
Energy Consumers Australia pass-through (total to be recovered from NSW FRC participants)		538	TBC	TBC	TBC	TBC



1.2 Revenue and Expenditure

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

Figure 1 Expenditure by category 2015-16



**Table 3 Profit and Loss statement 2015-16 and comparison**

	Budget	Forecast	Budget	Variance to Budget	
	2014-15 \$'000	2014-15 \$'000	2015-16 \$'000	\$'000	%
Fees and tariffs	2,000	1,962	2,000	(0)	-0%
Other Revenue	12	31	31	19	+162%
Total Revenue	2,012	1,994	2,031	19	+1%
Labour	507	629	573	66	+13%
Contractors	2	4	2	(1)	-35%
Consulting	16	50	19	4	+25%
Fees - Agency, Licence & Audit	64	60	70	6	+10%
IT & Telecommunication	1,506	1,500	1,512	5	+0%
Occupancy	28	24	34	5	+19%
Insurance	14	12	16	1	+8%
Other Expenses	43	45	50	7	+17%
Depreciation & Amortisation	34	30	112	79	+233%
Total Expenditure	2,213	2,355	2,387	173	+8%
Surplus/(Deficit)	(201)	(362)	(355)	(154)	
Brought Forward Surplus/(Deficit)	883	1,086	724	(159)	
Accumulated Surplus/(Deficit)	682	724	369		

Key Points

- Expenditure in 2015-16 is budgeted to increase by \$0.2M (8%) from 2014-15 budget mainly due:
 - **Labour**
Labour costs are budgeted to increase \$0.1M (13%) due to an increase in resources related to the NSW/ACT gas retail harmonisation project.
 - **Depreciation**
Depreciation costs are budgeted to increase \$0.1M to reflect the gas hub upgrade project and the NSW/ACT gas retail harmonisation project. This project is expected to be completed in April 2016. Depreciation costs will be incurred following project completion.



2 GAS STATEMENT OF OPPORTUNITIES

The Gas SOO costs are recovered via charges to retailers in AEMO's FRC gas markets on a fee per meter basis.

Costs for this function have increased due to work on the National Gas Forecasting Report.

There is no change in the 2015-16 fee due to an over-recovery from prior years. Fees are expected to increase in future years to return to a break-even position.

Table 4 Gas Statement of Opportunities Projected Fees

Fee	Actual 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
Gas Statement of Opportunities	0.02830	0.02830	0.03255	0.03743	0.04117	0.04529
(\$ per customer supply point per month)		+0%	+15%	+15%	+10%	+10%



3 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 for residential customers and small business customers.

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

The commencement date of the ECA was 30 January 2015.

Table 5 — Energy Consumers Australia (ECA) requirements

ECA Fees	Budget 2015-16	Actual 2014-15
Gas (\$ / customer supply point / month)	0.03114 4%	0.02998



LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
B2B	Business-to-Business
COAG	Council of Australian Governments
ECA	Energy Consumers Australia
FRC	Full Retail Contestability
GSOO	Gas Statement of Opportunities
MCE	Ministerial Council on Energy
NA	not applicable
NSW	New South Wales
ACT	Australian Capital Territory
TBC	to be confirmed

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