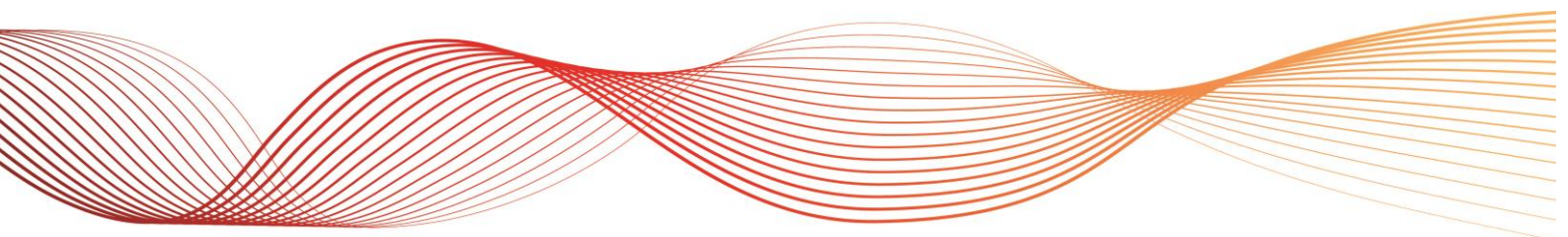


# **VICTORIAN ELECTRICITY TRANSMISSION SYSTEM**

## **FINAL BUDGET: 2015-16**

**PUBLISHED MAY 2015**





# CONTENTS

## **EXECUTIVE SUMMARY 3**

1.1	Introduction	3
1.2	2015-16 fees	3
1.3	Contacts	3
1.4	Overview of TUOS fee calculation	4

## **TUOS REVENUE REQUIREMENT 5**

1.5	Fees	5
1.6	Revenue and Expenditure	6

## TABLES

Table 1	Key points	3
Table 2	2015-16 budget	3
Table 3	Projected TUOS Revenue Requirement	5
Table 4	Calculation of TUOS revenue	6
Table 5	Profit and Loss statement 2015-16 and comparison	7

## FIGURES

Figure 1	Overview of AEMO's Transmission Charges	4
Figure 2	Expenditure by category 2015-16	6

# EXECUTIVE SUMMARY

## 1.1 Introduction

The final 2015-16 Victorian TNSP budget and fees provides information on the revenue required to recover this function, and estimates for the following two-year period.

Revenue requirements are calculated on an annual break-even period, predominantly influenced by network charges billed by the Victorian electricity transmission network owners.

**Table 1 Key points**

<ul style="list-style-type: none"> <li>Increased network charges in 2015-16.</li> </ul>	↑	<p>\$4.9m new inter-regional charges as a result of recent AER rule changes.</p> <p>\$4.2m increase of regulated network charges.</p>
<ul style="list-style-type: none"> <li>Decreased settlement residue receipts estimated.</li> </ul>	↑	<p>\$2m additional revenue to be recovered as a result of lower residue receipts estimated.</p>
<ul style="list-style-type: none"> <li>AEMO operating expenditure reduced in 2015-16.</li> </ul>	↓	<p>Operating expenditure budget to decrease by \$2.4m (-24%) in 2015-16 compared to 2014-15.</p>

## 1.2 2015-16 budget

**Table 2 2015-16 budget**

Budget	Budget 2015-16 (\$'000)	Current 2014-15 (\$'000)	Change
VIC TNSP - TUOS Fees	512,354	501,699	↑ 2%

## 1.3 Contacts

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

<p>Mr Jack Fitcher                  Chief Financial Officer                  Australian Energy Market Operator                  Level 22, 530 Collins St                  Melbourne Vic 3000                  Phone: 03 9609 8506                  Email: Jack.Fitcher@aemo.com.au</p>	<p>Ms Sandra Chui                  Group Manager, Commercial Services                  Australian Energy Market Operator                  Level 22, 530 Collins St                  Melbourne Vic 3000                  Phone: 03 9609 8623                  Email: Sandra.Chui@aemo.com.au</p>
--	---

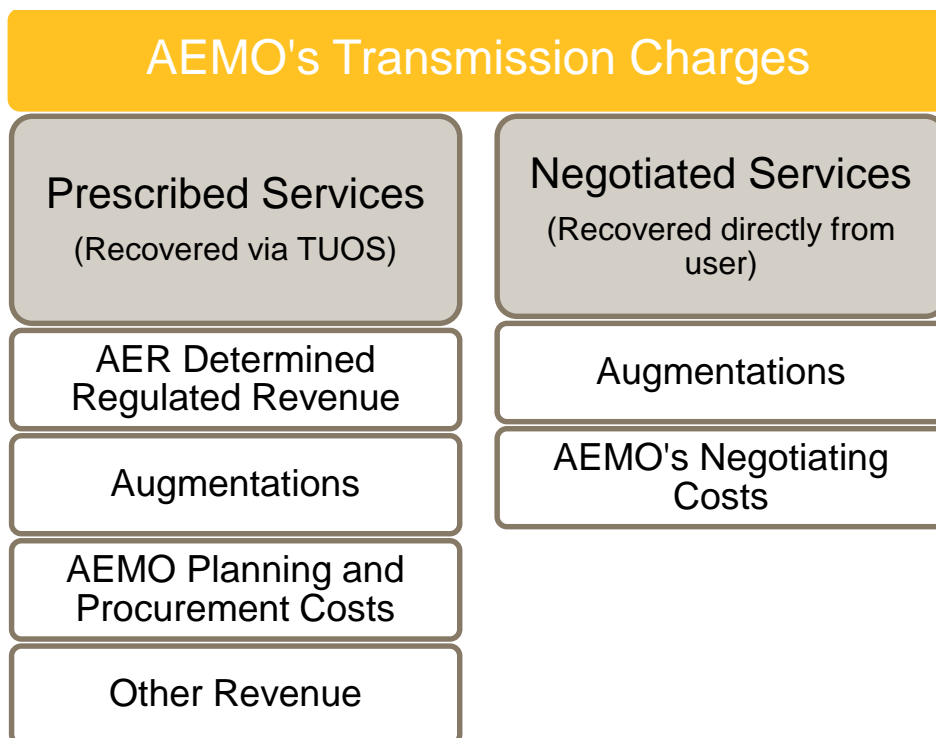
## 1.4 Overview of TUOS fee calculation

The TUOS fees are calculated in accordance with the revenue methodology for the Victorian Electricity Transmission Network. The current methodology covers the period from 1 July 2014 to 30 June 2019.

TUOS fees are calculated on an annual break-even basis and are predominately influenced by network charges billed by the Victorian electricity transmission network owners and by estimations of settlement residue receipts.

In summary the revenue methodology requires the annual revenue requirement to be allocated as follows:

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



# TUOS REVENUE REQUIREMENT

## 1.5 Fees

Transmission Use of System (TUOS) fees are calculated on an annual break-even basis and are predominately influenced by network charges billed by the Victorian electricity transmission network owners and by estimations of settlement residue receipts.

Commencing 1 July 2015, inter-regional TUOS charges will be introduced and charged as a result of the recent AER rule change. These charges were published by all TNSPs by 15 March. These charges will not impact the total costs recovered by AEMO. Any inter-regional TUOS funds received (or paid) will decrease (or increase) the amount of TUOS fees recovered from Victorian transmission customers.

The TUOS fees are expected to increase by \$10.7M (2%) in 2015-16 primarily due to the introduction of the inter-regional TUOS charges (\$4.9M), lower settlement residue (\$2M) and higher network charges.

To determine the annual TUOS revenue requirement, AusNet Services regulated network charges make up the majority of costs in this function. In 2013-14 the Australian Energy Regulator (AER) approved AusNet Services' revenue determination for the period 1 April 2014 to 31 March 2017.

**Table 3 Projected TUOS Revenue Requirement**

Fee	Actual 2014-15 (\$'000)	Budget 2015-16 (\$'000)	Estimate 2016-17 (\$'000)	Estimate 2017-18 (\$'000)	Estimate 2018-19 (\$'000)	Estimate 19-20 (\$'000)
TUOS fees	501,699	512,354	515,647	523,808	TBC	TBC
		+2%	+1%	+2%		

## 1.6 Revenue and Expenditure

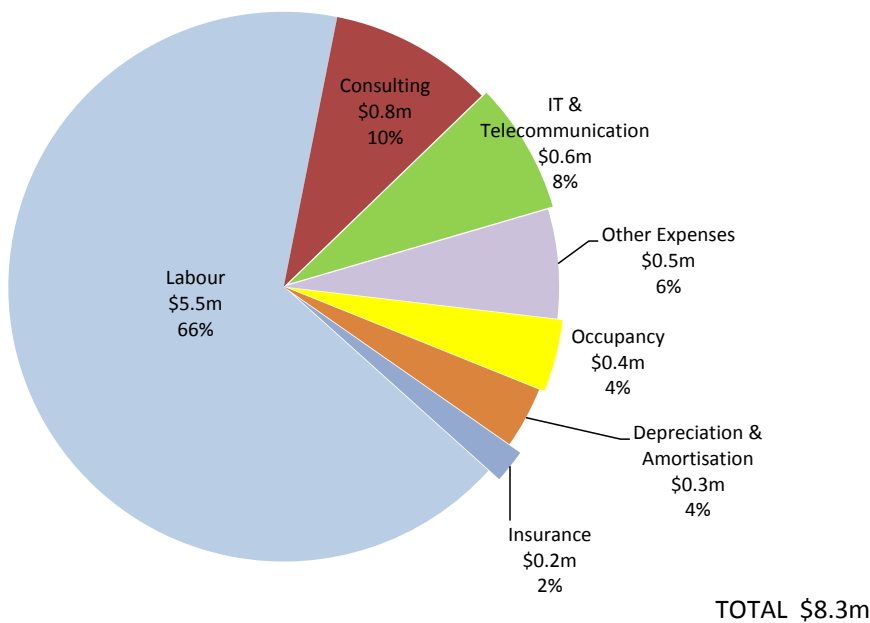
The final 2015-16 TUOS revenue calculation is detailed in Table 4.

**Table 4 Calculation of TUOS revenue**

TUOS Revenue Requirement	Budget 2015-16 \$'000
<b><u>Expenditure</u></b>	
Network charges:	
Victorian network charges	545,066
Inter-Regional TUOS	4,854
	549,920
AEMO Planning & Procurement Costs	8,296
<b><u>Less: Other Revenue</u></b>	
Settlement Residue	(28,693)
Other Revenue	(23,718)
<b>Add:</b>	
Net Brought Forward Decifit	6,550
<b>TUOS Revenue Requirement</b>	<b>512,354</b>

AEMO planning and procurement costs of \$8.3m are detailed below in Figure 2.

**Figure 2 Expenditure by category 2015-16**



**Table 5 Profit and Loss statement 2015-16 and comparison**

	Budget	Forecast	Budget	Variance to Budget	
	2014-15 \$'000	2014-15 \$'000	2015-16 \$'000	\$'000	%
TUOS fees	501,699	500,062	512,354	10,655	+2%
Settlement Residue	30,792	27,730	28,693	(2,099)	-7%
Other Revenue	24,880	23,629	23,718	(1,162)	-5%
<b>Total Revenue</b>	<b>557,372</b>	<b>551,420</b>	<b>564,766</b>	<b>7,394</b>	<b>+1%</b>
Network Charges	(540,843)	(543,810)	(549,920)	(9,077)	+2%
<b>Net Revenue</b>	<b>16,528</b>	<b>7,610</b>	<b>14,845</b>	<b>(1,683)</b>	<b>-10%</b>
Labour	7,198	6,703	5,491	(1,707)	-24%
Contractors	138	73	17	(122)	-88%
Consulting	1,070	967	798	(272)	-25%
Fees - Agency, Licence & Audit	29	26	22	(7)	-25%
IT & Telecommunication	704	655	636	(68)	-10%
Occupancy	437	395	351	(87)	-20%
Insurance	222	203	162	(60)	-27%
Other Expenses	655	571	517	(138)	-21%
Depreciation & Amortisation	418	392	302	(116)	-28%
<b>Total Expenditure</b>	<b>10,872</b>	<b>9,984</b>	<b>8,296</b>	<b>(2,577)</b>	<b>-24%</b>
<b>Surplus/(Deficit)</b>	<b>5,656</b>	<b>(2,374)</b>	<b>6,550</b>	<b>894</b>	
Brought Forward Surplus/(Deficit)	(5,493)	(3,703)	(6,077)	(584)	
<b>Accumulated Surplus/(Deficit)</b>	<b>163</b>	<b>(6,077)</b>	<b>473</b>		