Gas Fee Structures

March 2021

Final Report

Final determinations on the gas fee structures to apply to Participant and Pipeline Capacity Trading Auction and Exchange fees from 1 July 2021

Important notice

PURPOSE

AEMO consults on its proposed fee structure for participant fees, exchange fees and auction fees in accordance with the extended consultative procedure under clause 135CA(3) of the National Gas Rules (NGR).

This document has effect only for the purposes set out in the Rules, and the National Gas Law (Law) and NGR prevail over this document to the extent of any inconsistency.

This publication has been prepared by AEMO using information available at 8 March 2020.

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Executive summary

Introduction

AEMO sought stakeholder views on its proposed approach to the terms and fee structures to apply to gas participant fees, and the Pipeline Capacity Trading (PCT) Exchange Fees and Auction Fees, from 1 July 2021, through the release of its Gas Fee Structures Consultation Paper (Consultation Paper) in August 2020 and its Gas Fee Structures Draft Report (Draft Report) in November 2020. AEMO has carefully considered the National Gas Rules (NGR) requirements, stakeholder feedback on the initial Consultation Paper and Draft Report, and its own internal analysis, in making the final determinations set out in this Final Report.

Background

The current structure for:

- Participant Fees came into effect on 1 July 2018 and expires on 30 June 2021; and
- Pipeline Capacity Trading (PCT) services (comprising Exchange Fees and Auction Fees) came into effect on 1 March 2019 and will also expire on 30 June 2021.

The two sets of fee structures were considered in parallel through this consultation process given the alignment of end dates, requirement to consult in accordance with the extended consultative procedure under the NGR, and other potential interdependencies.

Consultation scope

AEMO sought stakeholder views on the fee structures to apply from 1 July 2021 for participant fees and PCT fees. Specifically, this related to fee structures applying to the following markets and services:

Participant fees:

- Declared Wholesale Gas Market (DWGM)
- Short Term Trading Market (STTM)
- Retail markets
  - Vic
  - NSW/ACT
  - Qld
  - SA
- Gas Bulletin Board (GBB)
- Gas Statement of Opportunities (GSOO)
- Energy Consumers Australia (ECA) Fees.

PCT fees:

- Capacity trading platform (CTP)
- Day-ahead auction (DAA)
- Operational Transportation Service (OTS) Code Panel.

Note that fee structures for the following services were out of scope for this consultation:

- Gas Supply Hub (GSH)
- Western Australia Full Retail Contestability (FRC) Gas Market
- Western Australia Gas Services Information (GSI).

Stakeholder feedback

Seven submissions were received in response to the Draft Report. One submission was made by GLNG on a confidential basis and as such the feedback provided by this submission is not set out in this determination. The six public submissions were lodged by:

- AGL Energy (AGL)
- Asia Pacific LNG (APLNG)
- Australian Petroleum Production & Exploration Association (APPEA)
- ERM Power Retail Pty Ltd (ERM Power)
- Esso Australia Resources Pty Ltd (Esso)
- Red Energy and Lumo Energy (Red and Lumo).

These submissions are published on the consultation page of AEMO's website: https://aemo.com.au/en/consultations/current-and-closed-consultations/gas-markets-participant-fee-structure-review.

AEMO appreciates, and is thankful for, the time and effort that stakeholders have taken to respond to both the Consultation Paper and Draft Report. AEMO has considered the views and comments raised in the submissions, which have informed the determinations made in this Final Report.

Final determinations

In developing this Final Report, AEMO has carefully considered the issues raised in its Consultation Paper and Draft Report; stakeholder views raised through submissions; further internal analysis and discussion; and the NGR fee structure requirements.

AEMO has determined to make the following determinations for its gas fee structures:

- Registration fees for DWGM and STTM
  Introduce upfront registration fees into the DWGM and STTM gas wholesale markets.
- Disaggregation of registration fees by participant category
  Disaggregate registration fees by registrable capacity in each market where registration fees apply.
- Disaggregation of PCT fees into component services
  Disaggregate the fees for transportation services traded on the CTP and DAA into compression service fees and other transportation service fees.
- Introduction of PCT 'deficit safety net'
  Introduce a 'deficit safety net' with a threshold of $900,000, and the right for AEMO to recover any amount exceeding this threshold from DWGM and STTM wholesale market participants.
- GSOO fees – shared recovery
  Allocate 30% of GSOO fees to producers on a $/GJ produced basis; and 70% to retailers on a $/supply point basis.

Current versus New Gas Fee Structures

The current fee structures are set out below in Table 1, against the fee structure to apply from 1 July 2021.

In addition, AEMO has determined to retain the three-year term for the fee structure to apply from 1 July 2021, along with a three-year rolling average period. This is intended to provide a balance between fee certainty for participants with flexibility to consider and respond to developments through the next fee structure review.

Table 1 Current versus new gas fee structures

Market/fee	Existing Fee structure	New Liable registered participants	New Fee structure	Existing Liable registered participants
DWGM				
Energy Tariff	Each Market Participant withdrawing gas from the Declared Transmission System.	$ / GJ withdrawn	No change	No change
Distribution Meter Fee	Each Market Participant connected to a Declared Distribution System, or whose customers are connected to a Declared Distribution System, at a connection point at which there is an interval metering installation.	$ / connection point with interval metering installation / day	No change	No change
Participant Compensation Fund (PCF)	Each Market Participant withdrawing gas from the Declared Transmission System.	$ / GJ withdrawn	No change	No change
Initial registration fee	Not applicable	Not applicable	Each new DWGM market registered participant	$ / registration / registrable capacity
STTM				
Activity Fee	Each STTM Shipper and STTM User withdrawing gas at any hub.	$ / GJ withdrawn / hub / ABN	No change	No change, however description to be reworded for clarity: $ / GJ withdrawn
PCF	Each STTM Shipper and STTM User withdrawing gas at any hub.	$ / GJ withdrawn / hub / ABN	No change	No change, however description to be reworded for clarity: $ / GJ withdrawn / hub
Initial registration fee	Not applicable	Not applicable	Each new STTM market registered participant	$ / registration / registrable capacity
Retail				
Vic Gas Tariff	Each Victorian retail gas market participant participating in the registrable capacity of market participant – retailer.	$ / customer supply point	No change	No change
Vic Gas initial registration fee	Each new Victorian retail gas market participant registering in the capacity of market participant – retailer or market participant – other.	$ / registration	No change	$ / registration / registrable capacity
Qld, SA, NSW & ACT Gas Tariff	Each retail gas market participant participating in the registrable capacity of retailer	$ / customer supply point (by jurisdiction)	No change	No change
Qld, SA, NSW & ACT Gas initial registration fee	Each new retail gas market participant registering in the registrable capacity of retailer or self-contracting user	$ / registration	No change	$ / registration / registrable capacity

GSOO				
GSOO Tariff	Each retail gas market participant participating in the registrable capacity of market participant – retailer in Vic or retailer in NSW/ACT, Qld and SA	$ / customer supply point	Not applicable	Not applicable
Producer fee	Not applicable	Not applicable	Each BB facility operator registered as the BB reporting entity for a BB production facility	$/GJ produced (to allocate 30% of GSOO costs)
Retailer fee	Not applicable	Not applicable	Each retail gas market participant participating in the registrable capacity of market participant – retailer in Vic or retailer in NSW/ACT, Qld and SA	$/customer supply point (to allocate 70% of GSOO costs)
GBB				
Producer fee	Each BB facility operator registered as the BB reporting entity for a BB production facility	$ / GJ produced (to allocate 50% of GBB costs)	No change	No change
Wholesale gas markets participant fee	Each Market Participant withdrawing gas in the DWGM or each STTM Shipper or STTM User withdrawing gas at any hub	$ / GJ withdrawn (to allocate 50% of GBB costs)	No change	No change
Registration fee[1]	Each new BB participant registering in the registrable capacity of: • BB allocation agent; • BB transportation facility user; and • BB capacity transaction reporting agents	$ / registration / registrable capacity	No change	No change
ECA				
Energy Consumers Australia (ECA) On-Charge	Each retail gas market participant participating in the registrable capacity of market participant – retailer in Victoria or retailer in NSW/ACT, Qld and SA	$ / customer supply point	No change	No change

[1] Registration fees were introduced via determination on PCT fees – AEMO Final Report Gas Pipeline Capacity Trading and Day Ahead Auction 2019 Fee Structure, 12 February

PCT				
CTP fee	Each trading participant - buyer and seller	$/GJ of traded capacity	Not applicable	Not applicable
CTP other transportation fee[2]	Not applicable	Not applicable	Each trading participant - buyer and seller	$/GJ of traded transportation service (excluding compression service)
CTP compression fee	Not applicable	Not applicable	Each trading participant - buyer and seller	$/GJ of traded compression service
CTP licence fee	Each trading participant - buyer and seller	$ / licence / annum	No change	No change
DAA fee	Each auction participant	$/GJ of auction capacity	Not applicable	Not applicable
DAA other transportation fee[3]	Not applicable	Not applicable	Each auction participant	$/GJ of auction service (excluding compression auction service)
DAA compression fee	Not applicable	Not applicable	Each auction participant	$/GJ of compression auction service
Registration fee	Each new participant, including: • Part 24 Facility operators; and • Day ahead - Auction participants	$ / registration	No change	No change
OTS Code Panel	Each trading participant	$/GJ on CTP and DAA trades	No change	No change

[2] To ensure alignment with Exchange Agreement terminology this fee structure is more precisely defined as 'other transportation service' (as compared to Draft Determination terminology) and includes Forward Haul Service and Park Service.

[3] To ensure alignment with Exchange Agreement terminology this fee structure is more precisely defined as 'other transportation service' (as compared to Draft Determination terminology) and includes Forward Haul Service and Park Service.

Contents

1. Notice of Final Determination

AEMO has made a final determination regarding the fee structures to apply to gas participant fees, and the Pipeline Capacity Trading fees, from 1 July 2021.

1.1 Key dates

The following table contains key dates associated with commencement of the new gas fee structure.

Table 2 Key dates

Milestone	Date
Final Report published	Friday, 19 Mar 2021
Final Report required (no later than)	Wednesday, 31 Mar 2021
New fee structures take effect	Thursday, 1 Jul 2021

1.2 AEMO contact for inquiries

Inquiries about this Final Report should be directed to:

Mr Kevin Ly

Group Manager Regulation

Email: kevin.ly@aemo.com.au

2. Consultation overview

AEMO sought stakeholder views on the proposed fee structures to apply to gas participant fees, and the Pipeline Capacity Trading fees, from 1 July 2021. Through this process AEMO identified opportunities to improve fee structures and respond to emergent issues.

2.1 Background

2.1.1 Participant Fees

The current structure for participant fees came into effect on 1 July 2018 and expires on 30 June 2021.[4] AEMO is required to review and publish, in consultation with registered participants, interested parties and such other persons as AEMO thinks appropriate, the structure and term of participant fees to apply from 1 July 2021.[5] AEMO must consult on the fee structure in accordance with the extended consultative procedure under the National Gas Rules (NGR).

2.1.2 Pipeline Capacity Trading Fees and Auction Fees

The current fee structure for Pipeline Capacity Trading (PCT) services came into effect on 1 March 2019 and will expire on 30 June 2021. This term was intended to align with the term of the gas participant fees structures as well as existing electricity fee structures.

Fee structures for PCT were introduced after AEMO's last determination on participant fees and were necessary to support new services introduced in early 2019 resulting from gas pipeline capacity trading reform.[6] These fees are recovered as Exchange Fees and Auction Fees under the NGR but are considered together with participant fees through this consultation given the similar consultation requirements, term expiry dates, and benefits of taking a holistic view of gas fees.

2.1.3 Fee structure principles

In determining the structure of Participant Fees, Exchange Fees and Auction Fees, AEMO must have regard to a range of matters (referred to as the fee structure principles)[7] and these are set out in Appendix A1 with some examples of how these requirements may be applied to reviewing the gas fee structures.

[4] Determinations are set out for Participant Fees in AEMO Final Report Structure of participant fees in AEMO's gas markets 2018 (29 March 2018).

[5] S135CA(1) National Gas Rules

[6] Determinations are set out for PCT Fees in AEMO Final Report Gas Pipeline Capacity Trading and Day Ahead Auction 2019 Fee Structure (12 February 2019).

[7] 135CA(4) National Gas Rules

2.2 Scope of review

AEMO sought stakeholder views on the fee structures to apply from 1 July 2021 to participant fees and PCT fees. This related to fee structures applying to the following AEMO markets and services:

Participant fees:	PCT fees:

• Declared Wholesale Gas Market (DWGM)
• Short Term Trading Market (STTM)
• Retail markets
  – Vic
  – NSW/ACT
  – Qld
  – SA
• Gas Bulletin Board (GBB)
• Gas Statement of Opportunities (GSOO)
• Energy Consumers Australia (ECA) Fees.
	• Capacity Trading Platform (CTP)
	• Day-Ahead Auction (DAA)
	• Registration fee (CTP and DAA)
	• Operational Transportation Service (OTS) Code Panel

2.3 Draft Report summary

In its Draft Report AEMO set out a proposed gas fee structure to apply to the next term. The following were proposed through the Draft Report:

- Registration fees for DWGM and STTM
  AEMO proposed to introduce upfront registration fees into the DWGM and STTM gas wholesale markets.
- Disaggregation of registration fees by registrable capacity
  AEMO proposed to disaggregate registration fees by registrable capacity in each market to be more reflective of involvement (and by extension transparency) and comparable with the NEM.
- Disaggregation of PCT fees into component services
  AEMO proposed to disaggregate fees for compression services from fees for other transportation services traded on the CTP and DAA.
- Introduction of PCT 'deficit safety net'
  AEMO proposed to retain the status quo for recovery of PCT fees but introduce a 'deficit safety net' with a $900,000 threshold, which would give AEMO the right to recover any amount exceeding this threshold from the DWGM and STTM wholesale markets.
- GSOO fees – shared recovery
  AEMO proposed to allocate 50% of GSOO costs to producers on a $/GJ produced basis; and 50% to retailers on a $/supply point basis.

2.4 DWGM Capacity Certificate auction fees

It is noted that AEMO is still to determine the costs and the need for any separate fee structure associated with the DWGM Capacity Certificates (CC) Auction which will commence in September 2022. AEMO is permitted to charge auction fees relating to the establishment, operation and administration of the CC auctions, which are payable by auction participants, however AEMO will consider the materiality of these costs and other factors before determining whether a separate fee will be established. Should the need for a separate fee be considered necessary, AEMO would commence an additional, fee structure review covering just CC auction fees. This would commence no later than April 2022.

3. Stakeholder views

AEMO received six public submissions in response to the Gas Fee Structures Draft Report and one confidential submission.

The seven stakeholders that responded to the Draft Report were:

- AGL Energy (AGL)
- Asia Pacific LNG (APLNG)
- Australian Petroleum Production & Exploration Association (APPEA)
- ERM Power Retail Pty Ltd (ERM Power)
- Esso Australia Resources Pty Ltd (Esso)
- GLNG Operations Pty Ltd (GLNG) (confidential submission)
- Red Energy and Lumo Energy (Red and Lumo).

The views expressed in the public submissions were carefully considered in developing the final fee structures. These are set out in the relevant subsection of Section 4. Note that any submission that is silent on a matter is not included in the analysis in support of, or opposition to, the matter. Stakeholder views and themes are addressed through the rationale underpinning the final determinations. AEMO has considered the issues raised in the confidential submission in developing the Final Report but has not given as much weight to this submission as other non-confidential submissions on the basis that participants have not been able to respond to those issues throughout the process.

3.1 Summary of respondents and submissions

Submissions received are accessible via AEMO's website[8]. The table below summarises responses provided in five of the six public submissions to the Final Report.

Red and Lumo's submission provided general support for the draft determinations made by AEMO. It further suggested that AEMO publish an easy to understand spreadsheet clearly outlining the breakdown of the fees, and that a template should be published and remain consistent throughout the 5-year period. AEMO considers that its annual, public, AEMO Budget and Fees document largely meets these requirements.[9]

[8] https://aemo.com.au/en/consultations/current-and-closed-consultations/gas-markets-participant-fee-structure-review.

[9] The most recent Budget and Fees documentation can be found at: https://aemo.com.au/en/consultations/current-and-closed-consultations/2020-21-aemo-draft-budget-and-fees-consultation

Table 3 Summary of respondents and submissions to the Draft Report

	AGL	APLNG	APPEA	ERM Power	Esso
Term and averaging period	Supports 3-year term as proposed. Supports 3-year averaging period as proposed.	Nil.	Supports 3-year term as proposed. Supports 3-year averaging period as proposed.	Nil.	Nil.
Registration	Accepts registration fees for DWGM and STTM. Considers existing structure adequate, but accepts the proposal to charge to DWGM and STTM on an upfront basis.	Nil.	Neither supports nor opposes. Supports transparent and rules-based calculation and allocating that incentivises participation.	Neither supports nor opposes. Registration fees should not be payable when an existing registered participant is amending a registration within the same corporate structure.	Nil.
PCT fees – disaggregation	Opposes disaggregation. Not appropriate given that AEMO does not provide the compression or transmission service, it just facilitates the trade and therefore not cost reflective. Reiterates suggestion that fees are better allocated through charging a licence fee per participant (for gas trading software), and a flat fee for each other trading fee.	Nil.	Nil.	Nil.	Nil.
PCT fees – recovery via other markets	Opposes safety net. Deficit safety net amount may place an unexpected fee on wholesale market participants, which impacts wholesale spot market prices, but which may not be collected from the retail side of the market, leading to unexpected imbalances for participants.	Nil.	Nil.	Nil.	Nil.
GSOO	Supports recovery from producers. More cost reflective.	Opposes recovery from producers. Recovery base should be broadened to STTM, DWGM and others identified in Draft Report. Broad range of participants in the gas market supply chain benefit from the GSOO. Producers provide most input to GSOO but derive the lowest benefit.	Opposes recovery from producers. Supports broadening the base proportionally, questions benefit to producers Producers provide most of the information and are already bearing a significant portion of overall GSOO costs, and therefore should not bear more cost. Market participants' compliance costs should be taken into consideration.	Opposes recovery from producers. Revise the split between producers and retail market participants from a 50/50 to one more heavily weighted towards retailers, a 75/25 split. Producers already bear costs to report to the GSOO, with civil penalties attached to these breaches.	Opposes recovery from producers. Supports APPEA submission. Producers already incur significant GSOO costs through provision of operational and production forecast data and will increase further with the

	AGL	APLNG	APPEA	ERM Power	Esso
		Restructuring so that Retailers and Producers only bear fees is not fair and appropriate and does not reflect user pays and involvement principles AEMO rationale that it is straight-forward method, avoids complexities between participants, and that pass through can occurs and gives too much weight to simplicity principle and is not equitable. Fees may not be recoverable under long term supply commitments and could result in costs passed through disproportionately in the future.	Further, when costs incurred by market participants are taken into consideration – costs are already disseminated across registered participants. Costs cannot be passed through (except to the customers) as producers are more likely to buy services from (rather than selling gas or services to) transmission pipelines, storage providers and distribution pipelines. If AEMO is suggesting that the pass through can be to consumers then this would have the perverse outcome of increasing cost of gas for customers. AEMO's costs for preparing GSOO have increased significantly and increased scope will further increase the cost of GSOO preparation.	Producers pay twice: firstly, through compliance and reporting requirements, and again through fees. 75/25 split between retailers and producers would still provide some fee relief to customers (via their retailer) and maintain a more equitable fee structure than the proposed 50/50 split.	increased scope of the GSOO (gas transparency measures). Will increase the cost of domestic gas production which is counter to investment in new developments and not consistent with NGO.
Retail aggregation	Aggregation supported. Consolidated retail market gas fee, which is uniform across jurisdictions, would result in efficiencies for retailers. Do not consider this to be critical so long as the recovery structure is consistent across jurisdictions.	Nil.	Nil.	Nil.	Nil.
Other	Consider whether proposed GSOO approach should also apply to GBB Contrasts with the 50:50 producer/retailer split for the GSOO and may be appropriate to make the GSOO and GBB allocation to participant types consistent.	Basis of support stated. Supports an approach which incentivises participation and competition and therefore liquidity in gas markets; meets fee structure principles and appropriately considers the reflective of involvement principle.	Nil.	Support existing GBB approach. No change is warranted because the structure best reflects the extent to which those who participate more in wholesale markets derive more benefits from the GBB through increased transparency.	Nil.

4. Final determinations

Informed by stakeholder feedback and internal analysis, and having regard to the fee structure principles and National Gas Objective (NGO), AEMO has determined that it will make changes to the fee structures in several markets, whilst retaining many established fee structures.

4.1 Gas fee structure term and averaging

4.1.1 Existing structure

The Rules permit AEMO to set participant fee structures for a period of time as it considers appropriate. The 2012, 2015 and 2018 determinations fixed the term of participant fee structures at three years, which was intended to provide fee certainty for participants and AEMO.

Further, a three-year rolling period is currently used to average the costs applicable to each market. The intent of this approach was to provide a balance between reducing year to year variability and maintaining the 'reflective of involvement' principle.

4.1.2 Draft determination

The Draft Report proposed a three-year term and the three-year rolling period.

4.1.3 Stakeholder views

AGL and APPEA supported both the proposed three-year term and the three-year rolling period. There was no opposition to the proposed approach.

4.1.4 Final determination and rationale

AEMO has determined a three-year term and rolling period for the next fee structure period. This means that the term of the next period will be 1 July 2021 to 30 June 2024 and a three-year rolling period will be applied to determining revenue requirements.

AEMO considers that a three-year term provides an effective balance between fee certainty for participants and AEMO, and the ability to consider and respond to market changes or developments in the next fee structure review. This position is supported by all stakeholder feedback on the matter.

AEMO also considers that a three-year rolling period provides an effective balance between reducing year to year variability and the 'reflective of involvement' principle. This position is supported by the two stakeholder submissions addressing this matter.

4.2 Registration fees

4.2.1 Existing structure

The current approach to applying initial registration fees varies across AEMO's gas markets and services. This means that registration fees are:

- not charged for initial registrations in the DWGM or STTM (the costs of registration are recovered from all participants through ongoing market fees); and
- charged for initial registrations in retail markets, PCT markets and for some GBB categories to recover the costs associated with registering and onboarding new registered participants.

4.2.2 Draft determination

It was proposed that changes to the fee structure should apply such that registration fees are:

- charged to registering participants on an upfront basis in the DWGM and STTM; and
- disaggregated by registerable participant category across any market in which registration fees apply.

4.2.3 Stakeholder views

No opposition to the proposed changes was raised. Specifically:

- AGL considered the existing structure adequate and not requiring amendment, however accepted the proposal to charge upfront registration fees to wholesale market participants;
- APPEA neither specifically supported or opposed the change but considered that registration fees should be subject to transparent and rules-based calculation and allocation that incentivises participation; and
- ERM Power considered that registration fees should not be payable when an existing registered participant is amending a registration within the same corporate structure.

4.2.4 Issues

APPEA's view that registration fees should be subject to transparent and rules-based calculation and allocation that incentivises participation is consistent with AEMO's approach to reviewing the fees. The review process has provided stakeholders with insight into the rationale for AEMO's initial thinking and the issues that have informed its draft and final determinations. AEMO's deliberations have been based solely on meeting rules requirements, and most critically, ensuring the application of fee structure principles to its determinations.

In terms of incentivising participation, AEMO agrees that participation in the market should be considered, in light of consistency with the NGO. However, AEMO does not consider that registration fees are sufficiently material to deter participation. If registration fees for an intending participant were a disincentive to participate in the DWGM or STTM, this would likely indicate the need for consideration of further factors, such as risks associated with ability to pay and risk of default, which are also aligned with NGO objectives.

ERM Power considered that registration fees should not be payable when an existing registered participant is amending a registration within the same corporate structure. It is noted that registration fees are determined on a cost recovery basis and that any existing participant adding a new market/capacity or registering under a new ABN is treated as a new registration and that this is consistent with ensuring that fees are reflective of effort for the entire registration and onboarding process.

4.2.5 Final determination and rationale

AEMO has determined to make the following changes to registration fees:

- introduce registration fees into wholesale gas markets, being the DWGM and STTM; and
- disaggregate by registerable capacity across any market in which registration fees apply.

Registration fee costs will be based on analysis recently completed by AEMO of registration activities across the business. This analysis comprised detailed, bottom-up activity analysis across each of the teams involved in the registration process to understand the effort, inputs and costs associated with each registrable capacity.

It should be noted that the analysis considered whether there was any further basis for disaggregation, aside from registrable capacity, and that no further basis was identified.

The analysis also informed which registerable capacities will be calculated on a quoted basis. That is, quoted fees will apply to registered participant categories where registrations are infrequent, complex in nature, diverse in registration requirements, time-consuming or otherwise difficult to prepare a standard fee for. These registrable capacities are set out in the following table.

Table 4 Registration fees to be provided on a quoted basis

Market	Registrable capacity for which registration fees will be quoted
DWGM	• Market Participant - producer • Market Participant - Transmission customer • Market Participant - Storage Provider • Participant - Declared transmission system service provider • Participant - Interconnected transmission pipeline service provider • Participant - Distributor • Participant - Producer • Participant - Storage provider • Participant - Transmission Customer
Retail - NSW/ACT	• Network Operator.
Retail - Qld	• Distributor
Retail - SA	• Network operator • Network operator - Mildura region • Transmission System operator
Retail - Vic	• Distributor • Transmission System Service Provider.

A summary of how AEMO had regard to the fee structure principles when considering the introduction of registration fees into the DWGM and STTM is summarised in the table below.

Table 5 Assessment of DWGM and STTM registration fee introduction against fee structure principles

Principle	Assessment against principle
NGO	Upfront registration fees promote the efficient use of gas services with respect to the price paid for natural gas by consumers in three key ways, as the fees: • introduce a price signal for stakeholders regarding the cost to AEMO of registering new participants, mitigating inefficiencies resulting from withdrawn or amended registrations; • allow AEMO to recover the costs of withdrawn and amended registrations which impose an operational burden on AEMO; and • remove registration costs attributable to a single stakeholder from the ongoing fees which has potential to improve the NGO if savings are passed through to gas consumers.
Simplicity	An upfront fee for registration in the DWGM and STTM has a neutral impact on fee structure simplicity as it is straight-forward, transparent and easily understood by participants, and readily applied by AEMO.
Reflective of Involvement	The approach considerably improves performance against the reflective of involvement principle for the DWGM and STTM fee structures. Specifically, the cost of registration will be recovered upfront and from the participants who drive those costs, rather than from across all registered participants who pay ongoing fees in these markets.
Non-discriminatory	This approach has two potentially opposing impacts on the non-discrimination principle:

	• increased discrimination between incumbent registered participants and new entrants, as new entrants are required to pay a fee which incumbent participants in the DWGM and STTM were not subject to; and • remove discrimination between registered participants in the DWGM and STTM (which do not currently incur registration fees) and registered participants in retail markets, the PCT and some categories of the GBB (which do incur registration fees).
Comparability	Introducing a DWGM and STTM registration fee will improve overall comparability between AEMO gas markets as the DWGM and STTM are brought into line with the gas retail markets, PCT, some categories of the GBB and the NEM.

AEMO had regard to the fee structure principles when considering the disaggregation of registration fees into registered registrable capacity as summarised in the table below.

Table 6 Assessment of registration fee disaggregation against fee structure principles

Principle	Assessment against principle
NGO	Disaggregation will result in more efficient pricing of registration fees but is anticipated to have an immaterial impact on prices paid by gas consumers.
Simplicity	Disaggregation results in an immaterial reduction in fee structure simplicity as rather than a single registration fee per market, fees will vary by registrable capacity. This differential is not anticipated to burden registering parties or AEMO.
Reflective of involvement	Disaggregation will mean the registration fee structure is more reflective of involvement as fees transparently reflect the effort and cost associated with registering one registrable capacity relative to another.
Non-discriminatory	Disaggregation better realises the non-discriminatory principle as it ensures that registered participants, whose registrations result in materially different costs to AEMO, are not subject to an aggregate fee that represents an approximation of average costs for all participants within a market.
Comparability	Disaggregation improves comparability with the NEM, which disaggregates its registration fees by registered participant category.

4.3 PCT fees – disaggregation of transportation services

4.3.1 Existing structure

Table 7 provides a summary of current participation fee structures for PCT services. Importantly, both the CTP and the DAA pay a fee for a single service being transportation services. Note that registration fees are not included in this section as this was considered previously in section 4.2 as part of the broader consideration of registration fees.

Table 7 Existing PCT fee structures

	Liable registered participants	Fee structure
CTP annual licence fee	Each trading participant - buyer and seller.	$ / licence / annum
CTP fee	Each trading participant - buyer and seller.	$/GJ of traded capacity
DAA fee	Each auction participant.	$/GJ of auction capacity

OTS Code Panel	CTP and DAA trading participants	$/GJ of all CTP and DAA trades

4.3.2 Draft determination

AEMO proposed to disaggregate fees for transportation services traded on the CTP and DAA into compression service fees and transmission service fees.

4.3.3 Stakeholder views

AGL was the only stakeholder that commented on the disaggregation of PCT fees. AGL reiterated its view that a uniform, $/trade fee would be more reflective of involvement than a $/GJ fee as per the status quo and the fee metric proposed in the Draft Report. This is on the basis that AEMO does not provide the service, rather it facilitates the trade. AGL supported a licence fee per participant to manage the gas trading software, as per the status quo but did not comment on the proposal to disaggregate transport services.

4.3.4 Issues

AGL reiterated that a flat PCT fee would be more appropriate on the basis that the cost per transaction to AEMO is uniform. This is one way of interpreting the reflective of involvement principle. As noted in the Draft Report this principle requires consideration of the degree to which a registered participant interacts with AEMO in relation to the output, which may include the benefit derived by the participant i.e. the extent to which the registered participant uses and benefits from access to the output of PCT services. Higher volume trades benefit from greater access to capacity and, under this interpretation, should pay more in total than lower volume trades.

AGL considers that as AEMO does not provide the service, a fee that varies by capacity is not appropriate. However, AEMO's view is that by facilitating the trade, participants are able to readily access the benefits of excess capacity provided by facilities. The benefits of participants' access to AEMO's PCT markets increases with increasing volumes traded through those markets. Therefore, it is logical that AEMO's PCT revenue requirements are primarily driven by registered participants seeking to obtain access to transmission service capacity than those seeking access to compression service capacity. Similarly, it follows that registered participants using the PCT for transmission services are obtaining a greater benefit from the service; and that those trading larger capacities are also obtaining a greater benefit.

As set out in the Draft Report, a uniform fee would not be aligned to other fee structure principles as it would lead to lower volume trades subsidising higher volume trades, potentially creating a barrier to smaller trades.

In the Draft Determination disaggregation was defined in terms of 'Compression service' and 'transmission service'. However, terminology in the Exchange Agreement defines transportation services as Forward Haul Service, Park Service or Compression Service. To ensure alignment with Exchange Agreement terminology the disaggregation is more precisely defined as 'other transportation service' and 'compression service'. A similar change has also been made for the DAA fee to align with the DAA rules terminology (auction service and compression auction service). This does not change the fee structure in practise.

4.3.5 Final determination and rationale

AEMO has determined to disaggregate compression service fees from other transportation services traded on the CTP and DAA, and will continue to apply charges on a $/GJ basis. The key driver for disaggregating transportation fees is to more efficiently apply fees for use of the CTP and DAA. This should increase utilisation of the PCT which delivers increased realisation of PCT efficiency objectives, and ultimately reduces the prices paid by PCT participants, wholesale market participants and gas consumers.

To achieve a fee differential between compression services and other transportation services, AEMO intends to reduce compression service fees and, where possible, leave other transportation services fees at a price point largely aligned to the current transport service fees. In the Draft Determination AEMO indicated that it would not increase other transportation services fees. However, to ensure a revenue neutral position can be maintained for PCT disaggregation, AEMO may make adjustments to other transportation services fees through its annual budget process in subsequent years if there is any overall revenue shortfall due to reduced compression service fees.

It is not anticipated, based on analysis of compression services previously traded on the PCT, that this allocation in later years would materially impact other transportation services fees. Further, AEMO anticipates that a reduction in the compression fee could increase the quantity of services purchased in the DAA. This is particularly the case for bids that link capacity across multiple facilities and at times when the spread between hub prices is relatively low. A small increase in the trade of compression services linked with other transportation services would offset this compression fee reduction.

AEMO has determined to apply a $/GJ fee to the PCT. Having had regard to the NGO, the non-discrimination principle, and the PCT reform objectives, a volume-based fee is considered appropriate. This is because the benefits of participants' access to AEMO's PCT markets increases with increasing volumes traded through those markets.

AEMO had regard to the fee structure principles when considering the disaggregation of registration fees into registered participant categories as summarised in the table below.

Table 8 Assessment of PCT fee disaggregation against fee structure principles

Principle	Assessment against principle
NGO	Disaggregation of PCT fees will contribute to improving realisation of the NGO in two ways: • increase trading participation for compression services, and potentially also other transportation services, which will lead to more efficient use of unnominated compression facility capacity and potentially lower gas prices which will ultimately flow through to gas consumers (as per the objectives of the PCT reform package) • overall increase in utilisation may lead to increased revenue (despite the lower fee), allowing the accounts supporting PCT service to break-even earlier than anticipated, thereby avoiding associated financing costs (and the potential need to exercise the 'deficit safety net' discussed in the following section).
Simplicity	Disaggregation of fees will have a neutral impact on simplicity.
Reflective of involvement	Disaggregation will be more reflective of involvement as AEMO fees for access to lower value compression services are decoupled from fees for access to higher value other transportation services sold by facility operators[10].
Non-discriminatory	Disaggregation is less discriminatory than the status quo as it recognises that different fees should apply to registered participants, depending on the benefit derived from those services.
Comparability	Disaggregation of fees by service is not comparable with other gas markets operated by AEMO or the NEM. Where disaggregation does occur, it is on the basis of registrable capacity. However, PCT services differ to services provided by AEMO in respect of other markets as PCT services are clearly distinguishable by the capacity type sought by participants, and there is a clear-cut methodology for determining for which service AEMO has provided access to for each participant. It is noted that it is consistent with the structure for prices set by facility operators.

[10] Compression services sold by facility operators tend to be much lower prices than transportation services, hence the services are considered lower value.

4.4 PCT fees – recovery via other markets

4.4.1 Existing structure

Fee structures for PCT services are summarised in the preceding section. AEMO ring-fences the costs of establishing and operating the three PCT services (i.e. CTP, DAA and the OTS Code Panel) from the costs of other markets to ensure that any surplus or deficit is retained within those accounts.

The deficit currently accruing each year is due to the significant amortisation costs incurred by both the CTP and DAA which have arisen out of establishing the markets. Amortisation costs will not be incurred from FY25 onwards and forecasts suggest that the CTP will breakeven by FY26 (even in the absence of increased utilisation of the CTP). The deficit is forecast to peak in approximately FY23 over the period to FY26, but the finance cost associated with this is not considered material and there is a solid basis for addressing the deficit.

4.4.2 Draft determination

AEMO proposed to retain the status quo for PCT fees, but to introduce a 'deficit safety net' with a $900,000 threshold, giving AEMO the right to recover any amount exceeding this threshold from the DWGM and STTM wholesale markets during the fee structure term.

4.4.3 Stakeholder views

AGL was the only stakeholder that commented on the PCT deficit safety net. It considered that the deficit safety net may place an unexpected fee on wholesale market participants, which impacts wholesale spot market prices, but which may not be collected from the retail side of the market, leading to unexpected imbalances for participants.

4.4.4 Issues

While having had regard for AGL's comments, AEMO considers the introduction of the deficit safety net to be a low risk measure as the chance of AEMO triggering it is low, and its impact if triggered is likely to be immaterial when shared across market participants in the DWGM and STTM. The threshold is set such that it will not be materially exceeded based on current cost and participation forecasts, and the primary purpose of the safety net is to mitigate financial risk should DAA participation unexpectedly drop off significantly.

Further, it should be noted that this fee would not retrospectively apply to market participants. Instead, should AEMO need to trigger the mechanism, the incremental value between the deficit safety net threshold and the actual deficit would be factored into fees for the upcoming year.

4.4.5 Final determination and rationale

AEMO has determined to introduce a deficit safety net threshold value of $900,000 which will apply to its aggregate financial position on PCT accounts. Should a deficit exceeding $900,000 accrue across PCT accounts AEMO will have the right to recover any amount exceeding this threshold from the DWGM and STTM wholesale markets during the fee structure term. Any recovery from these markets would be made via adjustments to fees in the subsequent year/s using the following methodology:

- allocating the deficit recovery value between DWGM and STTM on a GJ withdrawn basis;
- aggregating the PCT recovery value with each of the DWGM and STTM financial positions; then
- incorporating into the DWGM and STTM fees as per the status quo ($/GJ withdrawn fee).

Further, while the financial position for each of the CTP, DAA and OTS Services Panel are ring-fenced from each other and from other gas markets accounts, AEMO will treat these as a single aggregate account for the purpose of considering the overall financial position and whether to exercise the deficit safety net.

This approach balances the need to mitigate the financial risk of any future weakened PCT performance with the need to allow time for the PCT markets to mature, and the associated benefits across participants to be better understood. It is noted that a weakened PCT performance would arise out of decreased DAA utilisation, but that this is not a likely scenario based on AEMO's assessment of current performance.

AEMO had regard to the fee structure principles when considering the deficit safety net proposal as summarised in the table below.

Table 9 Assessment of status quo with 'deficit safety net' against fee structure principles

Principle	Assessment against principles
NGO	The safety net will mitigate the risk of a deficit accruing over and above levels budgeted for by AEMO. It will mean that AEMO avoids carrying financing costs in excess of what is forecast.
Simplicity	If exercised, the safety net mechanism slightly increases the complexity of the fee structure, as costs would be recovered through multiple markets (i.e. the PCT, DWGM and STTM). It is not expected that the complexity would be material, and if the threshold were exceeded AEMO would consider the additional complexity of exercising the safety net against materiality of threshold exceedance (e.g. if the threshold was not significantly exceeded AEMO may elect not use the deficit safety net).
Reflective of involvement	Recovery of costs from the DWGM and STTM – which would only occur should the threshold be exceeded and AEMO exercises the safety net – may be more reflective of involvement on the basis that the benefits of the PCT, direct and indirect, flow to registered participants in these markets.[11]
Non-discriminatory	There could be a minor increase in discrimination if AEMO exercises its right to recover the deficit from the DWGM and STTM markets, as not all participants in those markets necessarily benefit from the PCT. However, the extent of this discrimination is considered to be immaterial given the cost would be recovered from across a large participant base, and would only represent a portion of costs recovered from the PCT i.e. anything under $900,000 would be retained in PCT accounts and continue to be recovered from PCT participants.
Comparability	The introduction of a safety net is not comparable to any other market mechanism operated by AEMO, however the PCT market itself is not comparable as participation in PCT markets is voluntary, meaning that recovery of revenue is subject to utilisation of the market.

4.5 GSOO fees – application to participants

4.5.1 Existing structure

Retailers across the retail gas market jurisdictions are currently charged for GSOO costs at a flat rate per customer supply point, as summarised below.

Table 10 Existing GSOO Fee structure

	Liable registered participants	Fee structure
GSOO Tariff	Each retail gas market participant participating in the registrable capacity of market participant – retailer in Vic or retailer in NSW/ACT, Qld and SA.	$ / customer supply point

4.5.2 Draft determination

AEMO proposed the recovery of GSOO fees:

- 50% from producers on a $/GJ produced basis (including LNG imports in the future); and
- 50% from retailers on a $/ supply point basis, consistent with the status quo.

[11] Under NGR 135CA(4A) the participant fees charged to a Registered participant may include a component for the recovery of capacity trading and auction costs even if those costs do not involve that Registered participant. Consideration of reflective of involvement is therefore not required under the NGR and AEMO's consideration of these factors should not be taken to set a precedence for this as a requirement in future fee structure determinations

4.5.3 Stakeholder views

Five of the six submissions opposed the proposal to recover a 50% of GSOO costs from producers. Submissions from APPEA, producers and ERM Power raised the following points in opposition to the proposal:

- A broad range of participants in gas supply chain benefit from GSOO, particularly wholesale market participants;
- Producers do not benefit from GSOO, and will not benefit in the future under Gas Transparency Measures (GTM);
- The approach disproportionately weights simplicity over equity[12];
- Costs cannot be passed through, except to consumers, as more likely to buy services than sell, and this is perverse to stated objectives;
- Costs cannot be passed through due to the long-term nature of contracts;
- Producers currently, and will increasingly under the GTM, bear considerable GSOO compliance costs which should be considered;
- GSOO fees have increased over the last five years and will do so further under the GTM; and
- The fee would increase the cost of domestic gas production.

While all producers did not support paying any share of GSOO costs, others conceded that a fairer share may range from 20-25%.

AGL supported the proposed recovery of the GSOO from producers on the basis that the approach is more reflective of involvement.

4.5.4 Issues

Complexities in assessing reflective of involvement

Consideration of the GSOO is a complex matter and requires careful consideration against the fee structure principles, particularly the reflective of involvement principle (i.e. fees should be reflective of extent to which costs to AEMO involve a registered participant). The challenges in having regard to the reflective of involvement principle in the GSOO arise out of:

- Applying the reflective of involvement principle for a service where the participants that primarily input to the GSOO are not the only stakeholders that benefit from the GSOO, which means that the extent and type of involvement requires balanced consideration;
- The broad nature of GSOO outcomes results in difficulties in validating direct beneficiaries of the GSOO or definitively assessing their benefits relative to other stakeholders; and
- Allocating fees when some beneficiaries are not registered participants and cannot be charged, noting that the principle requires AEMO to have regard to the extent to which the budgeted revenue requirements for AEMO involve a registered participant.

Addressing stakeholder feedback

Other GSOO beneficiaries

Producers asserted that a broad range of participants in the gas supply chain benefit from GSOO, particularly wholesale market participants. AEMO accepts that there are other participants in the gas supply chain that benefit from the GSOO, aside from retailers and producers. However, due to the requirement to recover costs from registered participants, key beneficiaries such as customers and governments cannot be charged. AEMO also accepts that wholesale market participants benefit from the GSOO, and that the extent of benefit, although difficult to define could be comparable to that of producers and retailers.

However, as set out in the Draft Report, there are complexities in recovering from the wholesale markets that would come at the cost of simplicity and NGO cost objectives. Due to the complexities of gas markets,

[12] 'Equity' is not a principle, so potentially "reflective of involvement" was intended.

accounting for GJ withdrawn between markets is challenging due to the lack of transparency in the GJ that is transferred and delivered outside of, or to other, markets. These complexities mean that assigning fees for participants involves multiple classes of registered participant and has potential for fees on fees rather than a straight pass through, or to result in double recovery, or no recovery, from various classes of participant. For example, depending on where production is for a given retailer, it may have to ship through multiple pipelines relative to a retailer which has contracted closer to the market they are in. AEMO therefore does not think that recovery from wholesale market participants represents an optimal balance of fee structure principles.

Also, when pass through of costs is taken into account, a charge to wholesale market participants is geographically narrower than a charge to retailers which may include customers supplied outside of the DWGM and STTM. As specified above, the potential for cost pass through to a broader gas consumer base is more aligned with the NGO. Assuming that GSOO fees are ultimately passed on to customers to some extent (which AEMO thinks is likely in the long-run), end users supplied by the STTM (i.e. broadly customers in Sydney, Brisbane and Adelaide) and the DWGM would pay more than those not supplied by the STTM and DWGM (i.e. broadly regional customers outside of the STTM, and to a lesser extent the DWGM).

AEMO therefore does not think that recovery from wholesale market participants represents an optimal balance of fee structure principles. Notwithstanding the above, AEMO considers that consideration of the broader GSOO beneficiaries does support review of the percentage allocation of GSOO costs to producers. This is discussed in further detail in the following subsection.

Limited producer benefits of the GSOO

Producers asserted that they do not benefit from GSOO and will not benefit in future under Measures to Improve Transparency in the Gas Market (Gas Transparency Measures). As set out in the Draft Report AEMO considers that producers can benefit from the GSOO through insight into the gas market outlook to inform facility development and contracting strategies. The GSOO also assists exporters (and policy makers) in understanding the risks of domestic supply, leading to better outcomes for the gas supply to external markets.

Disproportionate weighting of simplicity principle

Producers are concerned that the proposed GSOO fee structure disproportionately weights simplicity. The Rules do not prescribe how different fee structure principles should be weighted to the extent these result in different fee structures. In assessing the GSOO, consideration and interpretation of individual fee structure principles leads to various, and often inconsistent, positions. AEMO considers that it has considered these positions and alignment with various fee structure principles appropriately.

Domestic gas production cost increases

Producers are concerned that the recovering 50% of the GSOO cost from producers will increase the cost of domestic gas production. AEMO considers that the overall impact to gas production costs is minimal. High level analysis suggests that GSOO fees would equate to approximately 0.008% of producer revenue based on a 50% share, as proposed in the Draft Report.[13]

Perverse outcomes arising out of cost pass through

Producers considered that a GSOO producer fee would result in perverse outcomes, given AEMO's stated objectives, as costs cannot be passed through, except to consumers. The NGO is about the long-term interests of consumers of natural gas and the current approach (i.e. 100% allocation to retailers), assuming some extent of fee pass-through, is not necessarily in the interests of customers of retailers. This sub-set of customers is the only consumer group that stands to incur any pass-through of GSOO costs. An approach which leads to the potential for a more proportionate pass through of costs to other consumers of natural gas, and through other gas supply chains supplied by producers, would ensure that the NGO is being applied with regard to all consumers of gas as the NGO contemplates, rather than a subset.

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[13] Based on average annual ACCC Forward prices at 12 February 2021

Limitations on cost pass through

Producers were also concerned that costs cannot be passed through due to the long-term nature of contracts. While AEMO does not have visibility into these contracts, it accepts that producers may not immediately be able to pass through costs to those down the gas supply chain and that producers may need to absorb this cost in the short-run. Over the long-run, as contractual arrangements are renewed and amended, AEMO considers that this cost could be passed through.

Producer GSOO compliance costs

Producers currently and will increasingly under the Gas Transparency Measures, bear considerable GSOO compliance costs which should be considered. AEMO acknowledges that the Gas Transparency Measures may impose additional reporting and other compliance costs for producers. However, changes to the GSOO, which comprise a transition from voluntary to mandatory reporting requirements and some minor changes to existing annual reporting requirements, should not impose a significant incremental cost on producers. Most importantly, the Rules, notably the fee structure principles, do not require or permit AEMO to take this into account in developing gas fee structures. To do so would be not be in accordance with the Rules but also inconsistent with all other AEMO gas markets where the participants incur compliance costs, which are not taken into account in determining gas fee structures.

Increasing costs of GSOO

GSOO fees have increased over the last five years and will do so further under the Gas Transparency Measures. While AEMO accepts that system costs associated with the Gas Transparency Measures will likely increase AEMO's costs, these costs will largely arise due to systems costs associated with delivering the GBB, not the GSOO and will be allocated accordingly. Importantly, the actual quantum of cost to be allocated is not considered through this review, but rather through AEMO's annual budget process. Again, AEMO is not required or permitted under the Rules to take this into consideration.

4.5.5 Final determination and rationale

On the basis of a detailed consideration of existing and alternative fee structures and stakeholder feedback, AEMO has determined to recover GSOO fees:

- 30% from producers on a $/GJ produced basis (including any LNG imports in the future); and
- 70% from retailers on a $/ supply point basis.

The key driver for this change is to transition to a mechanism that more proportionally disseminates costs across registered participants, and potentially down supply chains, whilst also taking into account the reflective of involvement principle.

Future LNG import facilities will be included in the producer portion of the fee on the basis that this gas will enter the domestic gas market. AEMO will therefore capture these participants in its GSOO allocation to producers in the future, as required.

AEMO had regard to the fee structure principles when considering a fee for producers as summarised in the table below. Further discussion of the more material issues follows.

Table 11 Assessment of GSOO shared producer cost recovery against fee structure principles

Principle	Assessment against principles
NGO	This approach will ensure that there is potential for GSOO costs to flow through to other participants and consumers in gas markets, compared to the status quo which only recovers from retailers and therefore has potential for recovery from retail customers only. This is likely to reduce the burden on retail customers.
Simplicity	This proposed fee structure is equally as simple as the status quo. The status quo involves a $/supply point fee for retailers whilst the proposed approach incorporates a $/GJ produced fee for producers, which is already administered for the purposes of GBB fees. There is no additional cost for AEMO to implement this change.

Reflective of involvement	The proposed approach is reflective of involvement as it directly recovers from producers who are both contributors to, and beneficiaries of, the GSOO. It assigns a portion to producers that approximates the extent of their involvement in the GSOO, that is: • Interaction: AEMO accepts producer positions that the level of interaction is less than 50%, and based on inputs to the GSOO may be more appropriately considered as around 30-40%, noting the inherent difficulties in assigning a value. • Benefits: AEMO accepts producer positions that benefits derived as a percentage of other registered participants is less than 50%. It considers that the portion could be approximately 30% based on assessment against other registered participant categories.
Non-discriminatory	A shared allocation of GSOO costs is less discriminatory than the status quo as it allocates costs between two classes of registered participant, thereby more fairly sharing the costs of the GSOO. For reasons set out below not all registered participants are allocated a share of the GSOO but the approach is an improvement on the status quo.
Comparability	Precedent for the proposed approach can be found in existing GBB fees whereby a portion of the fee is recovered from producers on a $/GJ basis. This is an appropriate comparison as both the GBB and the GSOO are services provided by AEMO to improve transparency in gas markets and provide benefits to a range of registered participants and other stakeholders.

Partial recovery of the GSOO from producers

The Draft Report set out detailed rationale for why GSOO costs should be shared between producers and retailers. While AEMO has carefully considered the arguments against this approach, it still considers that the rationale for the structure described in this report supports recovery of the GSOO costs from producers and retailers and is the most appropriate mechanism for recovering GSOO costs and managing its impacts on gas consumers.

AEMO has further considered the following rationale as set out in the Draft Report in making this determination (a fuller description can be found in the Draft Report[14]):

- Accounting fully and simply for gas market activity: A fee to producers is the most straight-forward method of accounting for each GJ within eastern and northern Australian gas markets. At the top of the supply chain, producers (and in the future possibly importers) are responsible for all gas withdrawn from gas markets or sold to export markets.
- Cost pass through down gas supply chains: GSOO fees applied to producers will have the potential to pass through, fully or partially, to all other participants and gas consumers. In this way, costs of the GSOO in the long run will have the potential to be shared across stakeholders participating in various gas supply chains.
- Producer involvement in the GSOO: Producers provide significant input to the GSOO and provide critical information that AEMO could not otherwise obtain meaning that their involvement is high. This includes forecasts of operating and committed gas fields and gas production facilities as well as information about more prospective, less certain, resources.
- Reducing discrimination across registered participant groups: A key benefit of this approach is that it is less discriminatory than the status quo whereby a single registered participant category, that is retailers, meets GSOO costs. The proposed structure would allocate costs between two classes of registered participant, thereby better sharing the costs of the GSOO.
- Recovery from wholesale gas markets: Recovery from participants in the DWGM and STTM on a $/GJ withdrawn basis would result in geographical discrimination between retail consumers which would mean

[14] AEMO Gas Fee Structures Draft Report, November 2020, section 4.5.3 .

some consumers have the potential for pass through of GSOO fees and others do not, which is inconsistent with the NGO.

- Fees across the supply chain: It would be challenging to allocate costs to multiple registered participants given the complexities of gas supply chains and the relatedness between registered participants. Sharing the costs across various gas supply chains would have uncertain outcomes, but could include duplication to participants operating in multiple registered capacities, the potential for greater pass through to customers, and greater administration and systems burden on AEMO to implement.

Assigning a proportion that reflects involvement

In having regard to the reflective of involvement principle AEMO has considered how the GSOO revenue requirements are caused by a producer's interaction with AEMO and presence in the gas markets, as well as the benefits derived from producers.

Producers provide a significant input to the GSOO and provide critical information about their activities that AEMO could not otherwise obtain, but is critical to assessing gas market adequacy. This includes forecasts of operating and committed gas fields and gas production facilities as well as information about more prospective, less certain, resources. Nonetheless, AEMO accepts producer positions that the level of producer interaction is likely less than 50%. Based on assessment of inputs to the GSOO, producer involvement may be more appropriately considered as around 30-40%, noting the inherent difficulties in assigning a specific value.

Registered participants benefiting from the GSOO include producers, and other participants seeking enhanced transparency into gas markets. Again, determining a level of benefit (direct and indirect) is challenging, however AEMO accepts producer positions that benefits derived as a percentage of other registered participants is less than 50%. It considers that the portion is could be approximately 30% based on a high-level review against other registered participant categories.

Retail consumption also drives a significant portion of effort in assessing the demand side of the GSOO, as consumption and connection information is a critical input to assessing gas market adequacy. It is therefore also reasonable that retailers continue to share in GSOO costs.

AEMO maintains its view that that GSOO costs should not be recovered from wholesale market participants as the complexities of the market may lead to instances of fees-on-fees, double charging or no-charging of some participants (inconsistent with the simplicity and non-discrimination). Therefore, the reduced producer portion will not be recovered from wholesale market participants and will be recovered from a 70% retailer portion, to be recovered on a $ / customer supply point basis.

In terms of feedback provided by producers, a 30% portion is a better reflection of involvement than the proposed proportions suggested by producers (20% - 25%), noting that producer positions first and foremost were that the fee should not apply at all to producers. AEMO considers that 20-25% under-represents the level of involvement by producers, and goes too far in terms of weakening the benefits of recovering a portion from producers (e.g. NGO benefits of a more proportionate recovery mechanism).

The proposed approach is reflective of involvement as it directly recovers from producers who are both contributors to, and beneficiaries of, the GSOO. It assigns a portion to producers that approximates the extent of their involvement in the GSOO.

As required by the Rules, AEMO is not bound by this determination of the GSOO fee including the proportions allocated to participants when determining the fee structure for future fee structure periods. AEMO will review the structure of GSOO fees, including the proportions, afresh for future fee structure periods by having regard to the fee structure principles and the NGO based on the circumstances at the time.

4.6 Retail market fees – aggregation

4.6.1 Existing structure

AEMO operates the following retail gas markets:

- Victorian retail gas market;
- New South Wales / Australian Capital Territory retail gas market;
- Queensland retail gas market;
- South Australian retail gas market.

Retail market fees are developed for each of the above retail gas markets on the basis described below.

Table 12 Retail gas market fees (excluding registration fees)

	Liable registered participants	Fee structure
Vic Gas Tariff	Each Victorian retail gas market participant participating in the registrable capacity of market participant – retailer.	$ / customer supply point
Qld, SA, NSW & ACT Gas Tariff	Each retail gas market participant participating in the registrable capacity of retailer.	$ / customer supply point (by jurisdiction)

The fee structure is the same across all AEMO gas retail markets. Note that there is an initial registration fee for a participant to join the market and the fees are levied on a $/registration basis. This was covered in the preceding discussion of registration fees in section 4.2.

4.6.2 Draft determination

AEMO proposed to retain the existing structure for recovery of the retail market fees into the next fee structure period.

4.6.3 Stakeholder views

Only AGL provided feedback on whether it would be appropriate to aggregate fees for four retail markets into a single retail market fee. AGL reiterated its view that a consolidated retail market gas fee, which is uniform across jurisdictions, would result in efficiencies for retailers. It accepted however that uniformity is not critical if the recovery structure is consistent across jurisdictions.

4.6.4 Final determination and rationale

AEMO has determined separate fees will apply to each of AEMO's retail markets in the next fee structure period.

While there is potential to achieve increased simplicity for retail market gas tariff fees by applying a single charge across all jurisdictions, the improvements would likely be unsubstantial and would be offset by being less reflective of involvement. AEMO further considered the assessment on this issue in the Draft Report and has determined that the assessment continues to apply.[15] AEMO had regard to the fee structure principles when determining that separate fees will apply as summarised below.

[15] Refer to Gas Fee Structures Draft Report, November 2020, section 4.6.3 for further discussion.

Table 13 Assessment of retail market separate fees against fee structure principles

Principle	Assessment of separate fees to retail market aggregation against principles
NGO	Separate fees have a neutral impact on the prices paid overall by gas consumers. While aggregation would impact the overall prices paid by each jurisdiction, the overall impact on prices is neutral.
Simplicity	Disaggregation by retail market is less simple than aggregation across all retail markets, particularly for retailers operating across multiple markets. This impact is not considered material.
Reflective of involvement	This structure is reflective of involvement as it reflects the various costs attributable to various retail markets and recovers the costs from those participants participating in those markets.
Non-discriminatory	Different interpretations of discrimination could result in different assessments against the non-discrimination principle. That is, charging retailers of each market a: • different fee for the same retail market service could be viewed as not meeting the non-discrimination fee structure principles; alternatively, • a uniform, aggregate fee could be seen as discriminatory if the inputs to the retail market services differ such that the services provided by AEMO can be considered different.
Comparability	This is not consistent with the NEM which applies the same fee across multiple retail jurisdictions. It is noted that the NEM uses identical processes, systems and procedures across the various jurisdictions, which is a key difference to gas retail markets.

Ensuring structural consistency

AGL considered that uniformity is not critical if the recovery structure is consistent across jurisdictions. To this end, a $/per supply point charge applies in each of the retail gas markets and the structure is therefore consistent.

4.7 GBB fee structure

4.7.1 Existing structure

Below is the existing structure for the GBB, excluding registration fees which has been discussed previously.

	Liable registered participants	Fee structure
Producers	Each BB facility operator for a BB production facility.	$/GJ produced (to allocate 50% of GBB costs)
Wholesale gas markets participants	Each Market Participant withdrawing gas in the DWGM or each STTM Shipper or STTM User withdrawing gas at any hub.	$/GJ withdrawn (to allocate 50% of GBB costs)

4.7.2 Draft determination

AEMO proposed to continue to charge GBB fees on a $/GJ basis, that is on a $/GJ produced basis for producers (to allocate 50% of costs) and a $/GJ withdrawn basis for wholesale gas market participants (to allocate 50% of costs).

4.7.3 Stakeholder views

Stakeholders raised varying positions on GBB fees:

- AGL suggested that AEMO consider whether the proposed GSOO approach should also apply to GBB. This is because AGL considered that it contrasts with the 50:50 producer/retailer split for the GSOO and may be appropriate to make the GSOO and GBB allocation to participant types consistent.
- ERM Power noted that it supports the existing GBB approach on the basis that the current structure best reflects the extent to which those who participate more in wholesale markets derive more benefits from the GBB through increased transparency.

4.7.4 Final determination and rationale

AEMO has determined to charge GBB fees on a $/GJ basis, that is on:

- a $/GJ produced basis for producers (to allocate 50% of costs); and
- a $/GJ withdrawn basis for wholesale gas market participants (to allocate 50% of costs).

An equal allocation between producers and wholesale gas market participants is the most appropriate approach as it reflects an objective, equitable and unbiased weighting to support the principles.

A1. Fee Structure Principles

This consultation only applies to the structure of fees considered. The actual amount charged for each fee is determined on an annual basis via the AEMO budgeting process. Under the Rules, AEMO only has the power to recover market fees from registered participants including auction participants and gas trading exchange members.

In determining the structure of Participant Fees, Exchange Fees and Auction Fees, AEMO must have regard to a range of matters (referred to as the fee structure principles)[16] and these are set out below with some examples of how these requirements may be applied to reviewing the gas fee structures.

A1.1 National Gas Objective (NGO)

…"to promote efficient investment in, and efficient operation and use of, natural gas services for the long-term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas."

The First Reading Speech to the NATIONAL GAS (SOUTH AUSTRALIA) BILL 2008 makes it clear that the NGO is an economic concept and should be interpreted as such.

"The long term interest of consumers of gas requires the economic welfare of consumers, over the long term, to be maximised. If gas markets and access to pipeline services are efficient in an economic sense, the long term economic interests of consumers in respect of price, quality, reliability, safety and security of natural gas services will be maximised. By the promotion of an economic efficiency objective in access to pipeline services, competition will be promoted in upstream and downstream markets."

The Speech goes on to state that:

"The long term interest of consumers of gas requires the economic welfare of consumers, over the long term, to be maximised. If gas markets and access to pipeline services are efficient in an economic sense, the long term economic interests of consumers in respect of price, quality, reliability, safety and security of natural gas services will be maximised. By the promotion of an economic efficiency objective in access to pipeline services, competition will be promoted in upstream and downstream markets.

The NGO is clearly a relevant consideration where AEMO has to exercise judgment or discretion in reaching its determination, for example, if there is a number of Participant fee structures each of which can satisfy the Fee Structure principles, or where the relevant provisions of the Rules are ambiguous."

A1.2 Simplicity

The fee structure should be simple.

As "simple" is not defined in the Rules, it must be given its ordinary meaning as understood in the context of clause 135CA of the Rules. The New Shorter Oxford English Dictionary's definition of "simple" (in this context) is: "not complicated or elaborate" and "plain, unadorned". Whether a fee structure fits these definitions is largely a matter of judgement.

There is a wide range of possible fee structures. There is no single identifiable point where "simple" becomes "complicated".

[16] 135CA(4) National Gas Rules

It is clear from this provision that a certain degree of complexity was envisaged in that the structure of Participant fees may involve several components and budgeted revenue consists of several elements. The structure of Participant fees need not demonstrate absolute simplicity.

The simplest fee structures are unlikely to be consistent with the other criteria. However, it is possible to find fee structures that, while consistent with the other criteria, are relatively simple, in comparison to alternative structures.

Further, AEMO considers that the use of the word "simple" in this context also involves a degree of transparency. AEMO considers that the simplicity principle means that the basis of the fee structure and its application to various registered participants should be:

- straight-forward
- easily understood by participants
- readily applied by registered participants and AEMO
- foreseeable and forecastable in terms of impacts and costs.

A1.3 Reflective of involvement

The components of the fees charged to each Registered participant should be reflective of the extent to which the budgeted revenue requirements for AEMO involve that Registered participant.[17]

Note that rule 135CA(4A) provides that the participant fees charged to a Registered participant may include a component for the recovery of capacity trading and auction costs even if those costs do not involve that Registered participant.

In determining whether the extent to which the budgeted revenue requirement relating to a particular output involves a Registered Participant, AEMO relies on the experience and expertise of its general managers and staff, and considers factors such as the degree to which the Registered Participant:

- interacts with AEMO in relation to the output;
- uses the output;
- receives the output; and
- benefits from the output.

AEMO also considers the how the revenue requirements have given rise to, or are caused by, that Registered Participant's presence in the market.

AEMO must determine the structure of Participant fees "afresh".

That is, it must freshly consider the application of the criteria in clause 135CA of the Rules and the NGL to the facts and analysis available to it at this time. In doing so, however, AEMO will have regard to its previous determinations under clause 135CA of the Rules, where appropriate.

The principle of "reflective of extent of involvement" does not have a specialised meaning in economics. It is consistent with the economic notion of 'user pays' but as a matter of ordinary language, it indicates a degree of correspondence (between AEMO and its costs and participants) without connoting identity.

However, this principle does not involve a precise degree of correspondence.

Where fixed and common costs are involved, multiple registered participants may be involved with AEMO costs in relevantly similar ways.

AEMO's analysis and experience shows that there are categories or classes of Registered participants that share certain characteristics that mean that the way in which they interact with AEMO is likely to have the same or similar cost implications for AEMO.

[17] Subject to subrule 135CA(4A)

Where it is practical for AEMO to identify costs that are fixed or common in nature that can reasonably be allocated to a class or classes of Participants that share characteristics such that their involvement with AEMO's outputs is likely to have the same or similar cost implications, AEMO will seek to do so.

A1.4 Non-discriminatory

Fee structure should not discriminate unreasonably against a category or categories of registered participants.

In past Participant Fee determinations, AEMO adopted the following definition of discriminate:

"Discriminate means to treat people or categories of people differently or unequally. Discriminate also means to treat people, who are different in a material manner, in the same or identical fashion. Further, "discriminate against" has a legal meaning which is to accord "different treatment … to persons or things by reference to considerations which are irrelevant to the object to be attained".

This principle allows AEMO to discriminate against a category or categories of r where to do so would be reasonable.

Where a degree of discrimination between categories of registered Participants is necessary or appropriate to achieve consistency with the other principles in clause 135CA of the Rules, or the NGL, the discrimination will not be "unreasonable".

In considering a past electricity fee structure determination, the Dispute Resolution Panel accepted that this principle is to be applied to the extent practicable and it is only unreasonable discrimination that offends.

Note that although the decision related to Clause 2.11.1(b)(4) of the Electricity Code, clause 135CA of the Rules is substantially the same as the equivalent clause in the Electricity Code.

A1.5 Comparability

AEMO must have regard to other fee structures that AEMO thinks appropriate for comparison purposes.

Note that this is not strictly a principle but is included for completeness in describing the matters for which AEMO must have regard.

Other relevant fee structures could include:

- National Electricity Market (NEM) fee structures for comparable markets or services
- Other gas market fee structures such as Western Australia markets or globally
- Other gas markets also the subject of this consultation process.

A1.6 Other matters

It is also relevant to note that the participant fees:

- should be sufficient to cover AEMO's budgeted revenue requirements.
- charged to a Registered participant may include a component for the recovery of capacity trading and auction costs even if those costs do not involve that Registered participant.

A1.7 Having regard to fee structure principles

The Rules require that AEMO must have regard to the fee structure principles, not that the fee structure is consistent with or satisfies all of the fee structure principles. However, determining a fee structure that seeks some consistency with the fee structure principles indicates how AEMO has had regard to the fee structure principles in determining the fee structure. The Rules do not expressly indicate that one or another of these fee structure principles should have greater weight than the others. However, where it is not practicable for

AEMO satisfy all of the principles or satisfy them all to an equal degree, AEMO may adopt a structure which is not equally consistent with all the principles. Therefore, typically there is a trade-off between principles. That is, an option to improve the fee structure against one principle may lessen the applicability of another principle.

For example, a commonly competing principles are reflective of involvement and simplicity. While a fee structure could be more reflective of involvement through measures such as disaggregation of fees, markets or services, this would decrease simplicity of the fee structure, and the systems to manage fees would become more complex.

AEMO's objective through this review and consultation process is to strike a balance between competing fee structure principles, through careful consideration of the principles and stakeholder feedback on how any fee structure changes impact various stakeholders. It is also relevant to note that the participant fees:

- should be sufficient to cover AEMO's budgeted revenue requirements.
- charged to a Registered participant may include a component for the recovery of capacity trading and auction costs even if those costs do not involve that Registered participant.

A2. Final determinations 2021-24 Gas Fee Structures

Final determinations on the gas fee structures

The final determinations on the fee structure to apply from 1 July 2021 are set out below. In addition, AEMO will apply a three-year term for the fee structure to apply from 1 July 2021, along with a three-year rolling average period.

Table 14 Final determinations

	Liable registered participants	Fee structure
DWGM		
Energy Tariff	Each Market Participant withdrawing gas from the Declared Transmission System.	$ / GJ withdrawn
Distribution Meter Fee	Each Market Participant connected to a Declared Distribution System, or whose customers are connected to a Declared Distribution System, at a connection point at which there is an interval metering installation.	$ / connection point with interval metering installation / day
Participant Compensation Fund (PCF)	Each Market Participant withdrawing gas from the Declared Transmission System.	$ / GJ withdrawn
Initial registration fee	Each new DWGM market registered participant.	$ / registration / registrable capacity
STTM		
Activity Fee	Each STTM Shipper and STTM User withdrawing gas at any hub.	$ / GJ withdrawn
PCF	Each STTM Shipper and STTM User withdrawing gas at any hub.	$ / GJ withdrawn / hub
Initial registration fee	Each new STTM market registered participant.	$ / registration / registrable capacity
Retail		
Vic Gas Tariff	Each Victorian retail gas market participant participating in the registrable capacity of market participant – retailer.	$ / customer supply point
Vic Gas initial registration fee	Each new Victorian retail gas market participant registering in the capacity of market participant – retailer or market participant – other.	$ / registration / registrable capacity
Qld, SA, NSW & ACT Gas Tariff	Each retail gas market participant participating in the registrable capacity of retailer.	$ / customer supply point (by jurisdiction)
Qld, SA, NSW & ACT Gas initial registration fee	Each new retail gas market participant registering in the registrable capacity of retailer or self-contracting user.	$ / registration / registrable capacity

GSOO		
Producer fee	Each BB facility operator registered as the BB reporting entity for a BB production facility.	$/GJ produced (to allocate 30% of GSOO costs)
Retailer fee	Each retail gas market participant participating in the registrable capacity of market participant – retailer in Vic or retailer in NSW/ACT, Qld and SA.	$/customer supply point (to allocate 70% of GSOO costs)
GBB		
Producer fee	Each BB facility operator registered as the BB reporting entity for a BB production facility.	$ / GJ produced (to allocate 50% of GBB costs)
Wholesale gas markets participant fee	Each Market Participant withdrawing gas in the DWGM or each STTM Shipper or STTM User withdrawing gas at any hub.	$ / GJ withdrawn (to allocate 50% of GBB costs)
Registration fee[18]	Each new BB participant registering in the registrable capacity of: • BB allocation agent; • BB transportation facility user; and • BB capacity transaction reporting agents.	$ / registration
ECA		
Energy Consumers Australia (ECA) On-Charge	Each retail gas market participant participating in the registrable capacity of market participant – retailer in Victoria or retailer in NSW/ACT, Qld and SA.	$ / customer supply point
PCT		
CTP other transportation fee	Each trading participant - buyer and seller.	$/GJ of traded transportation service (excluding compression service)
CTP compression fee	Each trading participant - buyer and seller.	$/GJ of traded compression service
CTP licence fee	Each trading participant - buyer and seller.	$ / licence / annum
DAA other transportation fee	Each auction participant.	$/GJ of auction service (excluding compression auction service)
DAA compression fee	Each auction participant.	$/GJ of compression auction service
Registration fee	Each new participant, including: • Part 24 Facility operators; and • Day ahead - Auction participants.	$ / registration / registrable capacity
OTS Code Panel	Each trading participant.	$/GJ on CTP and DAA trades

[18] Registration fees were introduced via determination on PCT fees – AEMO Final Report Gas Pipeline Capacity Trading and Day Ahead Auction 2019 Fee Structure, 12 February