



# Final report Structure of participant fees in AEMO's gas markets 2018

**29 March 2018**

Australian Energy Market Operator Limited

# Executive Summary

## Background

AEMO has completed the review and consultation on the structure of Participant fees to apply from 1 July 2018 for the:

- Victorian Declared Wholesale Gas Market (DWGM)
- Short Term Trading Market (STTM)
- Full Retail Contestability (FRC) Gas Markets in:
  - Victoria
  - New South Wales / Australian Capital Territory
  - Queensland
  - South Australia
- Gas Statement of Opportunities (GSOO)
- Gas Bulletin Board (GBB)
- The Energy Consumers Australia (ECA) fees collected by AEMO from gas participants

The current structure of Participant fees expires on 30 June 2018.

The objective of the consultation is to provide stakeholders with the opportunity to have input into the development of the structure of Participant fees to apply from 1 July 2018.

## Out of scope of this consultation

- Western Australia Full Retail Contestability (FRC) Gas Market
- Western Australia Gas Services Information (GSI)

These fee structures are prescribed in their respective market rules.

## Guiding principles to gas fee structure

In determining the structure of Participant fees, AEMO must have regard to the National Gas Objective (NGO). In addition, the National Gas Law (NGL) and the National Gas Rules (NGR) detail principles that need to be considered when determining the structure of Participant fees:

- The structure of Participant fees should be simple.
- The components of Participant fees charged to each registered participant should be reflective of the extent to which AEMO's budgeted revenue requirements involve that registered participant.
- Participant fees should not unreasonably discriminate against a category or categories of registered participants.
- Fees and charges are to be determined on a non-profit basis that provides for full cost recovery.
- The structure of the Participant fees should provide for the recovery of AEMO's budgeted revenue requirements on a specified basis.

The principles may often be competing, for example, a strong cost reflective structure is unlikely to be simple. AEMO's objective is to find a balance between any competing principles.

## Summary of key changes in the final fee structure from the existing structure

**Table 1 — Comparison of existing fee structure to the proposed fee structure**

	<b>Existing structure</b>	<b>Final fee structure (to commence 1 July 2018)</b>
Period of fee structure	3 year term	3 year term
Break-even period to recover costs	3 year break-even period	3 year break-even period
DWGM	<p><b>DWGM Energy Tariff</b></p> <p><i>Who pays?</i> Each market participant who withdraws gas, or whose customers withdraw gas, from the Declared Transmission System.</p> <p><i>How fee is applied?</i> A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn daily from the Declared Transmission System.</p> <p><i>Fee metric?</i> \$/GJ withdrawn/ daily.</p> <p><b>DWGM Distribution Meter Fee</b></p> <p><i>Who pays?</i> Each market participant who is 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.</p> <p><i>How fee is applied?</i> A flat rate (\$) for each connection point which is an interval metering installation.</p> <p><i>Fee metric?</i> \$/each connection point which is an interval metering installation/daily.</p> <p><b>DWGM Participant Compensation Fund</b></p> <p><i>Who pays?</i> Each market participant who withdraws gas, or whose customers withdraw gas, from the Declared Transmission System.</p> <p><i>How fee is applied?</i> A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from the Declared Transmission System.</p> <p><i>Fee metric?</i> \$/GJ withdrawn/ daily.</p>	No change to the existing fee structure.
STTM	<p><b>STTM Activity Fee</b></p> <p><i>Who pays?</i> Each STTM Shipper and STTM User who withdraws gas at any STTM Hub</p> <p><i>How fee is applied?</i> A flat rate (\$ per GJ) for the actual quantities of gas withdrawn daily at STTM Hubs.</p> <p><i>Fee metric?</i> \$/GJ withdrawn per day per hub per ABN.</p> <p><b>STTM Participant Compensation Fund</b></p>	No change to the existing fee structure.

	<p><i>Who pays?</i> Each market participant who withdraws gas, or whose customers withdraw gas, from a STTM Hub</p> <p><i>How fee is applied?</i> A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from a STTM Hub.</p> <p><i>Fee metric?</i> \$/GJ withdrawn per hub per ABN.</p>	
VIC FRC Gas	<p><b>VIC FRC Gas Tariff</b></p> <p><i>Who pays?</i> Victorian FRC gas market participants who are retailers.</p> <p><i>How fee is applied?</i> A flat rate</p> <p><i>Fee metric?</i> \$ per customer supply point.</p> <p><b>VIC FRC Gas initial registration fee</b></p> <p><i>Who pays?</i> Each new Victorian FRC gas market participant who is registering in the category of Market Participant – Retail or Market Participant – Other.</p> <p><i>How fee is applied?</i> A once-off fee (\$) at a set amount.</p>	No change to the existing structure.
QLD, SA & NSW FRC Gas	<p><b>QLD, SA &amp; NSW/ACT FRC Gas Tariff</b></p> <p><i>Who pays?</i> FRC gas market participants who are retailers.</p> <p><i>How fee is applied?</i> A flat rate per each individual jurisdiction.</p> <p><i>Fee metric?</i> \$ per customer supply point for each individual jurisdiction.</p> <p><b>QLD, SA &amp; NSW/ACT FRC Gas Initial Registration Fee</b></p> <p><i>Who pays?</i> Each new FRC gas market user and self-contracting user.</p> <p><i>How fee is applied?</i> A once-off fee (\$) at a set amount.</p>	No change to the existing structure.
GSOO	<p><b>GSOO Tariff</b></p> <p><i>Who pays?</i> Retailers and users, excluding self-contracting users, in the Victorian, NSW/ACT, Queensland and South Australian FRC gas markets.</p> <p><i>How fee is applied?</i> A flat rate.</p> <p><i>Fee metric?</i> \$ per customer supply point.</p>	No change to the existing structure.
Gas Bulletin Board	<p><b>GBB Fee</b></p> <p><i>Who pays?</i> 100% Shippers</p> <p><i>How fee is applied?</i> Total flows shipped by the shipper against Total flows shipped in the market (%) X annual budget revenue requirement.</p>	<p><b>GBB Fee</b></p> <p><i>Who pays?</i></p> <ul style="list-style-type: none"> <li>• 50% Producers</li> <li>• 50% Participants in Wholesale Gas Markets (Retailers and Direct Customers in the DWGM and STTM markets)</li> </ul>

*How fee is applied?*

- Producers: A flat rate (\$ per gigajoule) for the actual quantities of gas produced.
- Participants in Wholesale Gas Markets: A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from the Declared Transmission system or STTM hubs.

Energy Consumers  
Australia (on-charge)

**ECA Fee**

*Who pays?* FRC gas market participants

*How fee is applied?* A flat rate

*Fee metric?* \$ per customer supply point.

No change to the existing structure.

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# 1. Final gas markets fee structure

## 1.1 Period of fee methodology and break-even period to recover costs

### 1.1.1 Final position

This fee methodology will have a 3 year term, from 1 July 2018 to 30 June 2021. A rolling cost recovery/break-even period of 3 years will be used to calculate fees.

	Existing structure	Final fee structure
Period of fee structure	3 year term	3 year term
Break-even period to recover costs	3 year break-even period	3 year break-even period

Key reasons:

- To provide predictability of charges while having the ability to change a fee structure if circumstances change.
- A three year period and recovery will align the expiry of the gas market fee structure with the expiry of the electricity fee structure. This may present some efficiencies for AEMO and participants.

## 1.2 Declared Wholesale Gas Market

### 1.2.1 Final position

There is no change to the DWGM fee structure.

	Existing structure	Final fee structure
DWGM	<p><b>DWGM Energy Tariff</b></p> <p><i>Who pays?</i> Each market participant who withdraws gas, or whose customers withdraw gas, from the Declared Transmission System.</p> <p><i>How fee is applied?</i> A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn daily from the Declared Transmission System.</p> <p><i>Fee metric?</i> \$/GJ withdrawn/ daily.</p> <p><b>DWGM Distribution Meter Fee</b></p> <p><i>Who pays?</i> Each market participant who is connected to a Declared Distribution System, or whose customers are connected to a Declared</p>	No change to the existing structure tariffs.

Distribution System, at a connection point at which there is an interval metering installation.

*How fee is applied?* A flat rate (\$) for each connection point which is an interval metering installation.

*Fee metric?* \$/each connection point which is an interval metering installation/daily.

**DWGM Participant Compensation Fund**

*Who pays?* Each market participant who withdraws gas, or whose customers withdraw gas, from the Declared Transmission System.

*How fee is applied?* A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from the Declared Transmission System.

*Fee metric?* \$/GJ withdrawn/ daily.

Key reasons:

- The purpose, services and procedures in the DWGM have not materially changed.
- The existing fee structure has regard to the guiding principles.

## 1.3 Short Term Trading Market

### 1.3.1 Final position

There is no change to the STTM fee structure.

	Existing structure	Final fee structure
STTM	<p><b>STTM Activity Fee</b></p> <p><i>Who pays?</i> Each STTM Shipper and STTM User who withdraws gas at any STTM Hub</p> <p><i>How fee is applied?</i> A flat rate (\$ per GJ) for the actual quantities of gas withdrawn daily at STTM Hubs.</p> <p><i>Fee metric?</i> \$/GJ withdrawn per day per hub per ABN.</p> <p><b>STTM Participant Compensation Fund</b></p> <p><i>Who pays?</i> Each market participant who withdraws gas, or whose customers withdraw gas, from a STTM Hub</p> <p><i>How fee is applied?</i> A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from a STTM Hub.</p> <p><i>Fee metric?</i> \$/GJ withdrawn per hub per ABN.</p>	No change to the existing structure tariffs.

Key reasons:

- The purpose, services and procedures in the STTM have not materially changed.
- The existing fee structure has regard to the guiding principles.



## 1.4 Victorian Full Retail Contestability Gas

### 1.4.1 Final position

There is no change to the VIC FRC Gas fee structure.

	Existing structure	Final fee structure
VIC FRC Gas	<p><b>VIC FRC Gas Tariff</b></p> <p><i>Who pays?</i> Victorian FRC gas market participants who are retailers.</p> <p><i>How fee is applied?</i> A flat rate</p> <p><i>Fee metric?</i> \$ per customer supply point.</p> <p><b>VIC FRC Gas initial registration fee</b></p> <p><i>Who pays?</i> Each new Victorian FRC gas market participant who is registering in the category of Market Participant – Retail or Market Participant – Other.</p> <p><i>How fee is applied?</i> A once-off fee (\$) at a set amount.</p>	No change to the existing structure.

Key reasons:

- The purpose, services and procedures in the VIC FRC Gas function have not materially changed.
- The existing fee structure has regard to the guiding principles.

## 1.5 Queensland, South Australia and New South Wales / Australian Capital Territory Full Retail Contestability Gas

### 1.5.1 Final position

There is no change to the QLD, SA, NSW/ACT FRC Gas fee structure.

	Existing structure	Final fee structure
QLD, SA & NSW/ACT FRC Gas	<p><b>QLD, SA &amp; NSW/ACT FRC Gas Tariff</b></p> <p><i>Who pays?</i> FRC gas market participants who are retailers.</p> <p><i>How fee is applied?</i> A flat rate per each individual jurisdiction.</p> <p><i>Fee metric?</i> \$ per customer supply point per each individual jurisdiction.</p> <p><b>QLD, SA &amp; NSW/ACT FRC Gas Initial Registration Fee</b></p> <p><i>Who pays?</i> Each new FRC gas market user and self-contracting user.</p> <p><i>How fee is applied?</i> A once-off fee (\$) at a set amount.</p>	No change to the existing structure.

Key reasons:

- The purpose, services and procedures in these FRC Gas jurisdictions have not materially changed.
- The existing fee structure has regard to the guiding principles.

## 1.6 Gas Statement of Opportunities

### 1.6.1 Final position

There is no change to the GSOO fee structure.

	Existing structure	Final fee structure
GSOO	<p><b>GSOO Tariff</b></p> <p><i>Who pays?</i> Retailers and users, excluding self-contracting users, in the Victorian, NSW/ACT, Queensland and South Australian FRC gas markets.</p> <p><i>How fee is applied?</i> A flat rate.</p> <p><i>Fee metric?</i> \$ per customer supply point.</p>	No change to the existing structure.

Key reasons:

- The purpose and services of GSOO information have not materially changed.
- The existing fee structure have regard to the guiding principles.

## 1.7 Gas Bulletin Board

### 1.7.1 Final position

The final position for the GBB is to levy 50% of costs to producers and 50% of costs to participants in the Victorian Declared Wholesale Gas Market and the Short Term Trading Market.

	Existing structure	Final fee structure
Gas Bulletin Board	<p><b>GBB Fee</b></p> <p><i>Who pays?</i> 100% Shippers</p> <p><i>How fee is applied?</i> Total flows shipped by the shipper against Total flows shipped in the market (%) X annual budget revenue requirement.</p>	<p><b>GBB Fee</b></p> <p><i>Who pays?</i></p> <ul style="list-style-type: none"> <li>• 50% Producers</li> <li>• 50% Participants in Wholesale Gas Markets (Retailers and Direct Customers in the DWGM and STTM markets)</li> </ul> <p><i>How fee is applied?</i></p> <ul style="list-style-type: none"> <li>• Producers: A flat rate (\$ per gigajoule) for the actual quantities of gas produced.</li> <li>• Participants in Wholesale Gas Markets: A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from the Declared Transmission system or STTM hubs.</li> </ul>

The GBB fee structure up until September 2017 has been prescribed in the NGR. The major focus of the consultation submissions were in relation to the Gas Bulletin Board.

The submissions received during the two stages of consultation proposed a variety of methods to recover costs.

In considering all submissions presented, and in determining the structure of participant fees, AEMO must have regard to the National Gas Objective (NGO), National Gas Law (NGL) and the NGR.

AEMO acknowledges that the principles may often be competing, for example, a strong cost-reflective (reflective of involvement) structure is unlikely to be simple. Neither the NGL nor the NGR expressly indicate that any one or more of these principles should have greater weight than the others where there are competing principles.

Key reasons:

- **Reflective of involvement principle**
  - This principle requires AEMO to consider the extent to which AEMO’s revenue requirements involve the registered participant, which is broader than the beneficiaries.
  - AEMO felt it appropriate to allocate an equal portion of the costs to producers (direct involvement) and a portion to wholesale gas market participants (beneficiaries). This allocation reflects an objective, equitable and unbiased weighting to support the principle.
  - Recovering costs on a variable basis (that is, based on volume) reflects the variable impact and involvement on the market of participants. A set fixed fee per participant would appear to unreasonably discriminate against small participants.
- **Simple principle**
  - The proposed structure is consistent with the simplicity principle. In determining the fee structure, AEMO was conscious to not administer a complex cost recovery model with additional costs associated with systems and resources, given the operating costs of this function currently are \$2m.
- **Adhering to the purpose of the GBB**
  - The GBB was created by the Government to provide equal access, reduce information asymmetry, aid investment decision making and competition in markets for facilities connected to the east coast gas market. In developing a proposed fee structure, AEMO has had regard to this to maintain information transparency (i.e. removing barriers of entry to information).
- **Harmonisation with the WA Gas Bulletin Board**
  - AEMO is also required to consider other similar fee structures. It is worth noting that the Western Australian Gas Bulletin Board fees are allocated 50% to producers and 50% to shippers and costs are recovered based on volume.
  - It was noted in some submissions that the WA GBB does not levy fees to LNG facilities whom buy and sell gas offshore. This is true in that the WA GBB information does not include the physical pipelines that buy and sell offshore (i.e. behind the meter). Any shared pipelines (i.e. domestic and overseas) is included however. In the case of the East Coast market, LNG producers may have the potential to impact the domestic gas market therefore it is considered appropriate that shared pipelines volumes are not excluded.
- **Consideration of other similar fee structures in the East Coast gas markets**
  - In considering other similar fee structures in the East Coast gas markets, it is noted that the fee structures are variable (i.e. based on market share). DWGM and STTM markets levy the tariff to participants based on energy volume withdrawn, while GSOO, Gas FRC and ECA levy the tariff based on the number of connection points.

## 1.8 Energy Consumers Australia

### 1.8.1 Final position

There is no change to the ECA fee structure.

	<b>Existing structure</b>	<b>Proposed fee structure (to commence 1 July 2018)</b>
Energy Consumers Australia (on-charge)	<p><b>ECA Fee</b></p> <p><i>Who pays?</i> FRC gas market participants</p> <p><i>How fee is applied?</i> A flat rate</p> <p><i>Fee metric?</i> \$ per customer supply point.</p>	No change to the existing structure.

Key reasons:

- The services and purpose of the ECA have not materially changed.

- The existing fee structure has regard to the guiding principles.

## 2. Submissions received from consultation

AEMO received nine submissions in the first stage of consultation. The respondents were:

- Australian Pipelines Limited (APA)
- Australian Pipeliners and Gas Association (APGA)
- Australia Pacific LNG (APLNG)
- Jemena
- Snowy Hydro
- Australian Petroleum Production and Exploration Association (APPEA)
- Santos GLNG
- Shell
- Origin Energy

AEMO received five submissions in the second stage of consultation. The respondents were:

- Australia Pacific LNG (APLNG)
- Australian Petroleum Production and Exploration Association (APPEA)
- Santos GLNG
- Shell
- Origin Energy

These submissions are published on AEMO's website.

<http://aemo.com.au/Stakeholder-Consultation/Consultations/2017-Consultation-on-Gas-Markets-Structure-of-Participant-Fees>