

Mr Jack Fitcher
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Draft Report: Gas market fee methodology

Dear Jack,

AGL puts forth the views below in response to your Draft Report on gas market fees, issued on 22 December 2014. Overall, AGL has no significant difficulty with what is being proposed.

STTM fee structure

We do not have issues with the daily fixed cost component (\$30 per Hub per ABN) being removed from the current fee structure and being merged with the STTM Activity Fee. To the extent that this leads to a simpler structure, there may well be administrative efficiencies to be gained from this move.

Possible consolidation of STTM and DWGM fees

We endorse AEMO's decision to **not** merge the fees for the DWGM and STTM into a single tariff which would apply to all of AEMO's facilitated markets. We have previously indicated that it is not sufficient to look at consolidating like fees but that the composition of market participants needs to be taken into consideration to avoid unintended cross subsidies. There may also be requirements in the NGR around cost recovery fee structures that AEMO may need to take into consideration.

Proposed revisions to the structure of FRC fees for NSW

AEMO is seeking stakeholder feedback on its intention to make FRC gas market fee structures consistent across all four jurisdictions. AEMO would like to contemplate a flat fee based on market share for NSW; this would align with the fee structures for Victoria, SA, and Queensland.





When AEMO posed this question previously in 2012, we replied that there was not a compelling case for alignment of the FRC fee structures owing to structural and historical reasons. The NSW FRC system did not have a B2B component (in fact, B2B services were provided through JGN's in-house system) and was essentially designed around customer churn and supporting activities.

NSW, then and presently, does not have a centralised B2B system operated by AEMO. On that basis, there is no reason to move away from the current fee structure. There is a large industry project underway to implement a B2B system in NSW along the functional lines of what we have in Victoria, SA, and Queensland. When the new AEMO-run B2B system becomes operational (scheduled for April 2015), we would support the harmonisation of gas FRC fee structures.

If you require any further information in relation to AGL's submission, please feel free to contact me on (03) 8633 6239.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'G. Foley', is written over the typed name.

George Foley

Manager Gas Market Development