



ELECTRICITY FINAL BUDGET AND FEES: 2017-18

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



EXECUTIVE SUMMARY

1.1 Introduction

AEMO operates on a cost recovery basis as a company limited by guarantee under the Corporations Act (2001). AEMO recovers all operating costs through fees paid by participants.

AEMO has a broad range of functions and each is underpinned by a fee structure developed in consultation with stakeholders and in line with the national rule requirements. The fee structures detail how AEMO will calculate fees and who will be charged. AEMO's annual budget sets out the amounts that will be charged under these fee structures.

The fees in this report reflect the electricity fee structure determination that applies from 1 July 2016 to 30 June 2021.

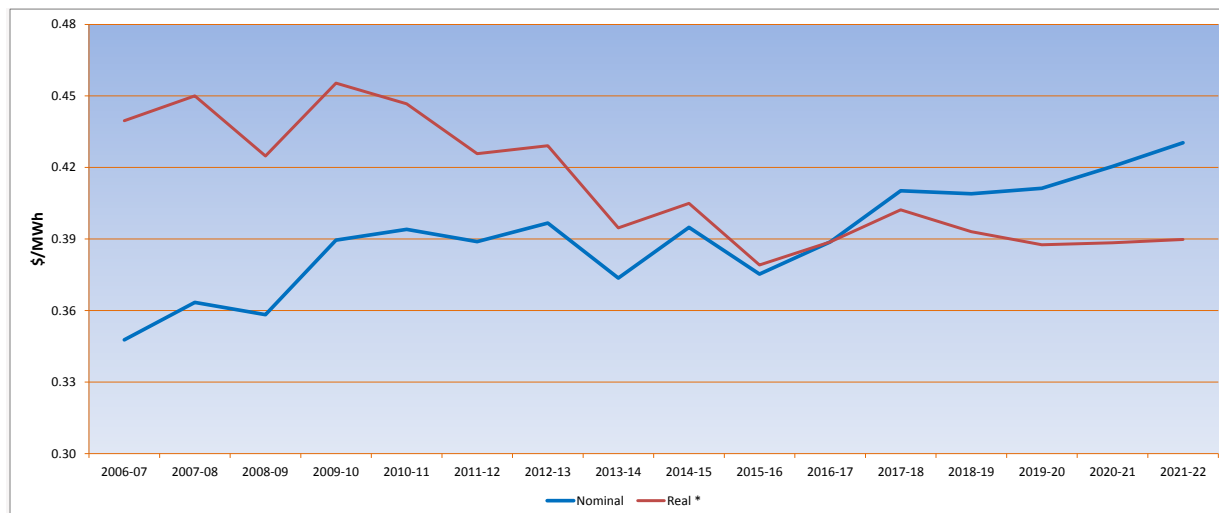
This report provides a view of the 2017-18 electricity fees, revenue and expenses, and fee estimates for the following four-year period.

For any questions relating to this report please contact Jack Fitcher, Chief Financial Officer, on 03 9609 8506 or via email on jack.fitcher@aemo.com.au.

1.2 Summary of Fees (nominal)

Fee (\$/MW.h)	2014-15	2015-16	2016-17	2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22
NEM	0.39	0.38	0.39	0.41	0.41	0.41	0.42	0.43
% Change	+5%	-5%	+4%	+6%	-0%	+1%	+2%	+2%
FRC Electricity	0.060	0.040	0.061	0.075	0.072	0.074	0.076	0.078
% Change	+0%	-33%	+53%	+23%	-4%	+3%	+3%	+3%
NTP	0.01990	0.02054	0.01606	0.02126	0.02350	0.02409	0.02470	0.02532
% Change	-0%	+3%	-22%	+32%	+11%	+3%	+3%	+3%

Figure 1 – NEM projected fees



* Real values are the nominal amounts adjusted for inflation. Prices have been calculated relative to the 2016-17 price.

Key points:

- As shown in Figure 1 above, in real terms after adjusting for inflation, the NEM fee has been trending downwards since the commencement of AEMO in 2009, however the fee is expected to increase by 6% in 2017-18 as a result of:
 - Increased resources focussed on security of the system, particularly following the recent events in South Australia.
 - Increased investment in the forecasting and planning approach with an objective of reducing manual processes and providing stakeholders with greater insights and more accessible information that is provided on a more regular basis.
 - Increased investment in core IT infrastructure and systems, such as the upgrade to our Energy Management System and Oracle platform, to ensure these systems remain current and supported and, where appropriate, are consolidated to reduce future maintenance costs.
- The FRC electricity fee increases to \$0.075/MWh which is 23% higher than the 2016-17 fee of \$0.061/MWh, mainly due to work associated with the Power of Choice program that will be completed in December 2017.
- The NTP fee is budgeted to increase 32% from \$0.01606/MWh to \$0.02126/MWh in 2017-18 after the 2016-17 had been reduced to return a surplus from prior years.

NATIONAL ELECTRICITY MARKET

2.1 Energy Consumption

The budgeted consumption for 2017-18 is based on available data estimates used in the 2016 National Electricity Forecast Report (NEFR) with updates for key expected changes.

The 2017-18 and future years consumption is expected to be flat as the decrease in consumption due to solar PV uptake and energy efficiency is offset by population growth. The industrial consumption is also expected to be flat.

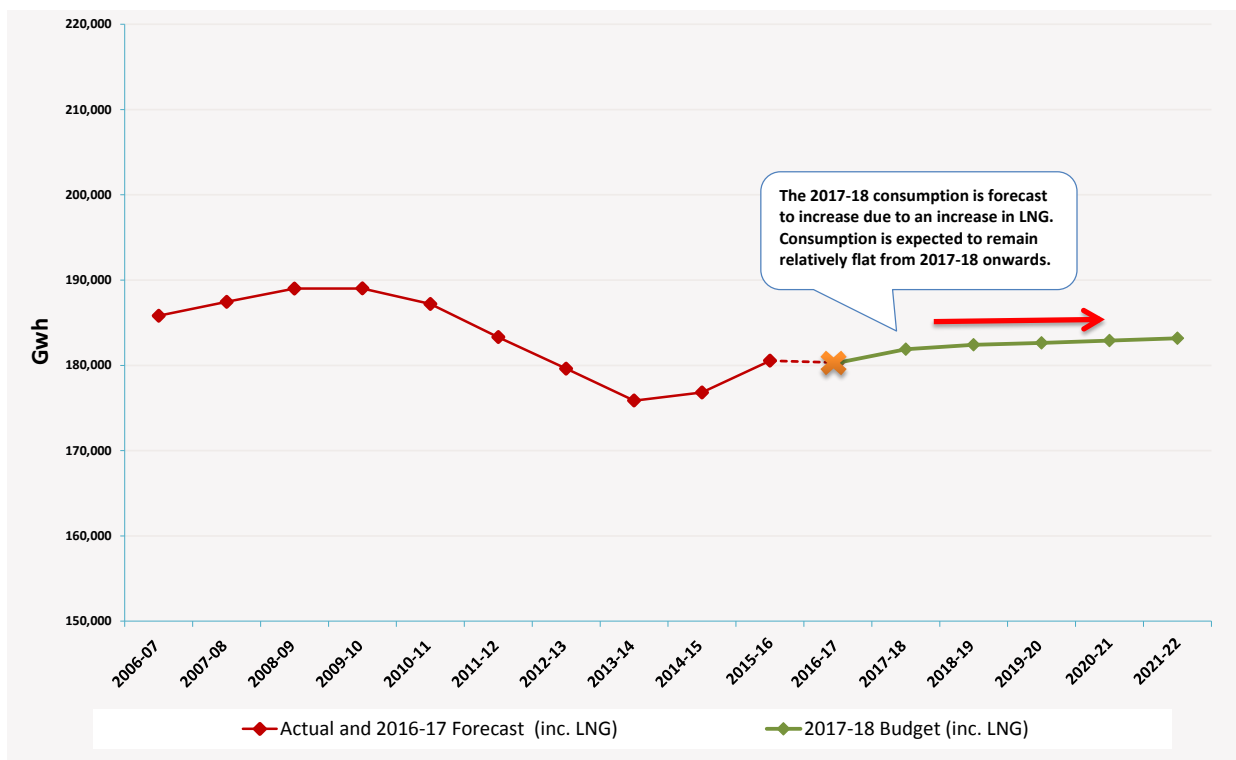
Table 1 NEM consumption

GWh	Budget	Forecast ¹	Budget	Estimate	Estimate	Estimate	Estimate
	2016-17	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
NEM	179,893	180,311	181,895	182,417	182,645	182,913	183,186
			+1.1%	+0.3%	+0.1%	+0.1%	+0.1%

¹ Forecast annual 2016-17 consumption as at March 2017

Figure 2 below demonstrates consumption forecasted to calculate the NEM fee

Figure 2 – Annual electricity consumption (market customer load)



2.2 NEM Fees

The benchmark NEM fee will increase 6% from \$0.39/MWh to \$0.41/MWh in 2017-18.

The key reasons for the increase are:

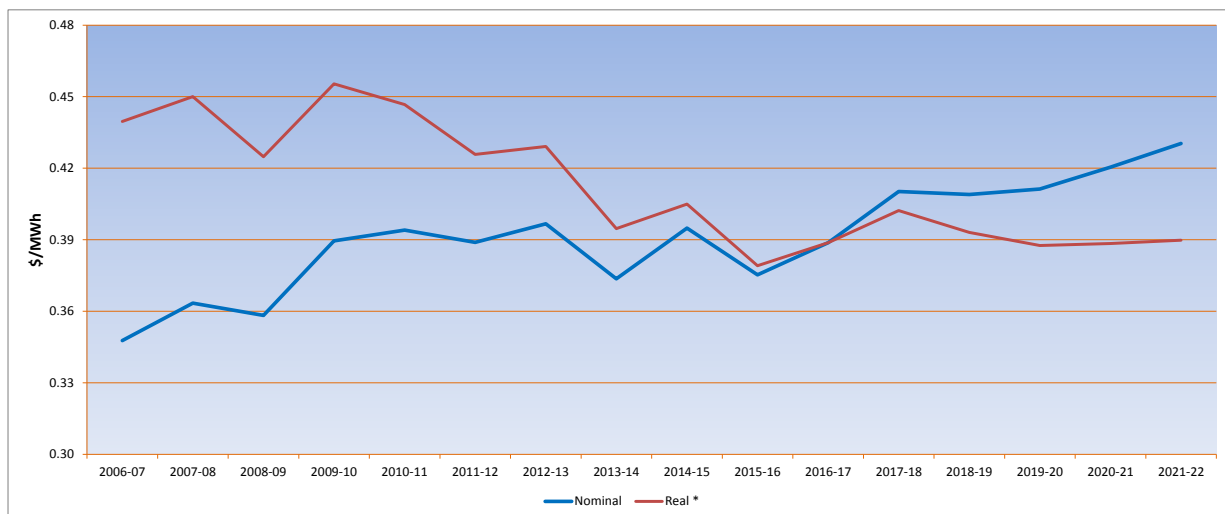
- Increased resources focussed on security of the system, particularly following the recent events in South Australia.
- Increased investment in the forecasting and planning approach with an objective of reducing manual processes and providing stakeholders with greater insights and more accessible information that is provided on a more regular basis.
- Increased investment in core IT infrastructure and systems, such as the upgrade to our Energy Management System and Oracle platform, to ensure these systems remain current and supported and, where appropriate, are consolidated to reduce future maintenance costs.

Table 2 NEM projected fees (indicative benchmark)

Fee	Actual 2016-17	Budget 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22
NEM fee (\$/MWh)	0.39	0.41	0.41	0.41	0.42	0.43
	4%	+6%	-0%	+1%	+2%	+2%
PCF fee (\$/MWh)	0	0.01	TBC	TBC	TBC	TBC

The indicative benchmark NEM fee provides a high-level comparison of NEM fees. The fees actually charged to market customers and generators are detailed in Appendix B.

Figure 3 – NEM projected fees



* Real values are the nominal amounts adjusted for inflation. Prices have been calculated relative to the 2016-17 price.

2.3 Revenue and Expenditure

The expenditure is detailed below in Figure 4 by expenditure category

Figure 4 – Expenditure by category 2017-18

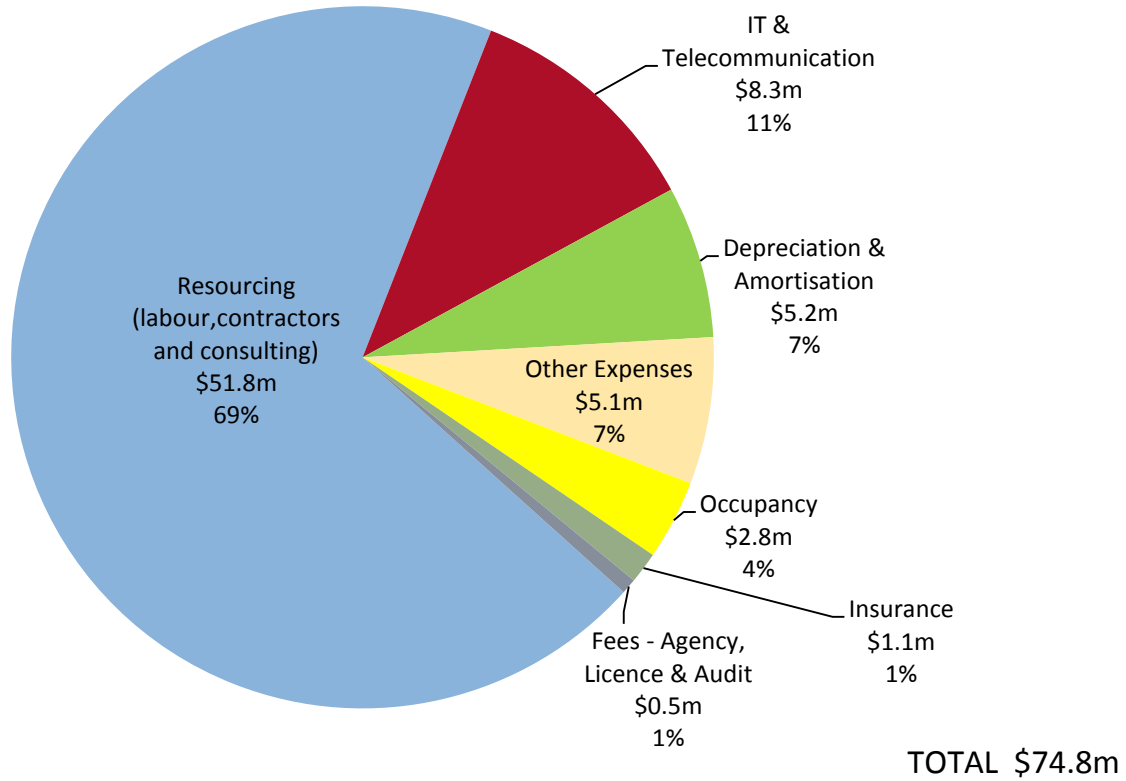


Table 3 Profit and Loss statement 2017-18 and comparison – NEM

	Budget 2016-17 \$'000	Budget 2017-18 \$'000	Variance	
			\$'000	%
Fees and tariffs	70,363	75,048	4,685	+7%
Other Revenue	1,948	2,138	190	+10%
Total Revenue	72,311	77,186	4,875	+7%
Resourcing (labour, contractors and consulting)	50,459	51,810	1,351	+3%
Fees - Agency, Licence & Audit	472	527	55	+12%
IT & Telecommunication	7,553	8,307	754	+10%
Occupancy	2,893	2,755	(138)	-5%
Insurance	1,269	1,078	(191)	-15%
Other Expenses	5,356	5,052	(304)	-6%
Depreciation & Amortisation	4,986	5,240	254	+5%
Total Expenditure	72,988	74,768	1,780	+2%
Surplus/ (Deficit)	(677)	2,418	3,095	
Transfer to PCF	(375)	(1,237)	(861)	
Brought Forward Surplus/ (Deficit)	1,616	(1,181)	(2,797)	
Accumulated Surplus/ (Deficit)	563	0		

Key Points:

- NEM revenue for 2017-18 is estimated to be \$4.9M (7%) higher than the 2016-17 budget.
- NEM expenditure for 2017-18 is estimated to be \$1.8M (2%) higher than the 2016-17 budget. This is mainly due to:
 - **Resourcing costs (+\$1.4M)**
Resourcing costs are budgeted to increase in 2017-18 due to additional resources required for the change of forecasting and planning approach and the increased focus on system security.
 - **IT & telecommunication (+\$0.8M)**
IT & telecommunication costs are budgeted to increase in 2017-18 mainly due to increased investment in core IT infrastructure and systems, such as the upgrade to our Energy Management System and Oracle platform, to ensure these systems remain current and supported and, where appropriate, are consolidated to reduce future maintenance costs.
 - **Insurance and Other Expenses (-\$0.5M)**
Insurance and other expenses have decreased as a result of identified efficiencies.



2.4 PCF fees

The National Electricity Rules require AEMO to maintain a Participant Compensation Fund to pay compensation for scheduling errors to Scheduled Generators, Semi-Scheduled Generators and Scheduled Network Service Providers as determined by the dispute resolution panel.

The funding requirement for the PCF for each financial year is the lesser of:

- (1) \$1,000,000; and
- (2) \$5,000,000 minus the amount which AEMO reasonably estimates will be the balance of the PCF at the end of the relevant financial year.

It is estimated that the balance of the PCF at 30 June 2017 will be close to zero and therefore the funding requirement for 2017-18 is \$1M.

FULL RETAIL CONTESTABILITY (FRC) ELECTRICITY

3.1 Energy Consumption

The forecast retailer load in the FRC jurisdiction is detailed below:

Table 4 FRC Electricity consumption

	Budget 2016-17	Budget 2017-18
Retailer Load forecast for FRC jurisdictions	165,501,106 MW·h	170,981,300 MW·h

3.2 Fees

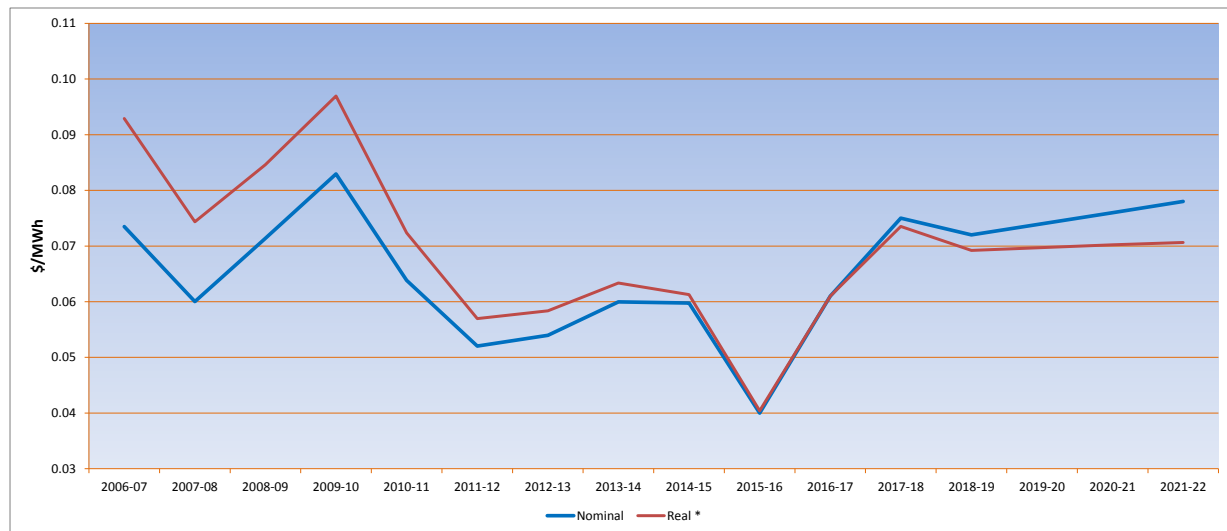
The Full Retail Contestability (FRC) electricity fee will increase to \$0.075/MWh which is 23% higher than the 2016-17 fee of \$0.061/MWh, mainly due to work associated with the Power of Choice program that will be completed in December 2017.

It should also be noted that the 2016-17 fee was significantly increased due to a combination of work on the Power of Choice program and due to the 2015-16 fee being reduced to return a prior year's surplus.

Table 5 FRC Electricity projected fee

Fee	Actual 2016-17	Budget 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22
(\$/MW·h)	0.061	0.075	0.072	0.074	0.076	0.078
	+53%	+23%	-4%	+3%	+3%	+3%

Figure 5 – FRC Electricity projected fees



* Real values are the nominal amounts adjusted for inflation. Prices have been calculated relative to the 2016–17 price.

3.3 Revenue and Expenditure

The expenditure is detailed in Figure 5 by expenditure category.

Figure 6 – Expenditure by category 2017-18

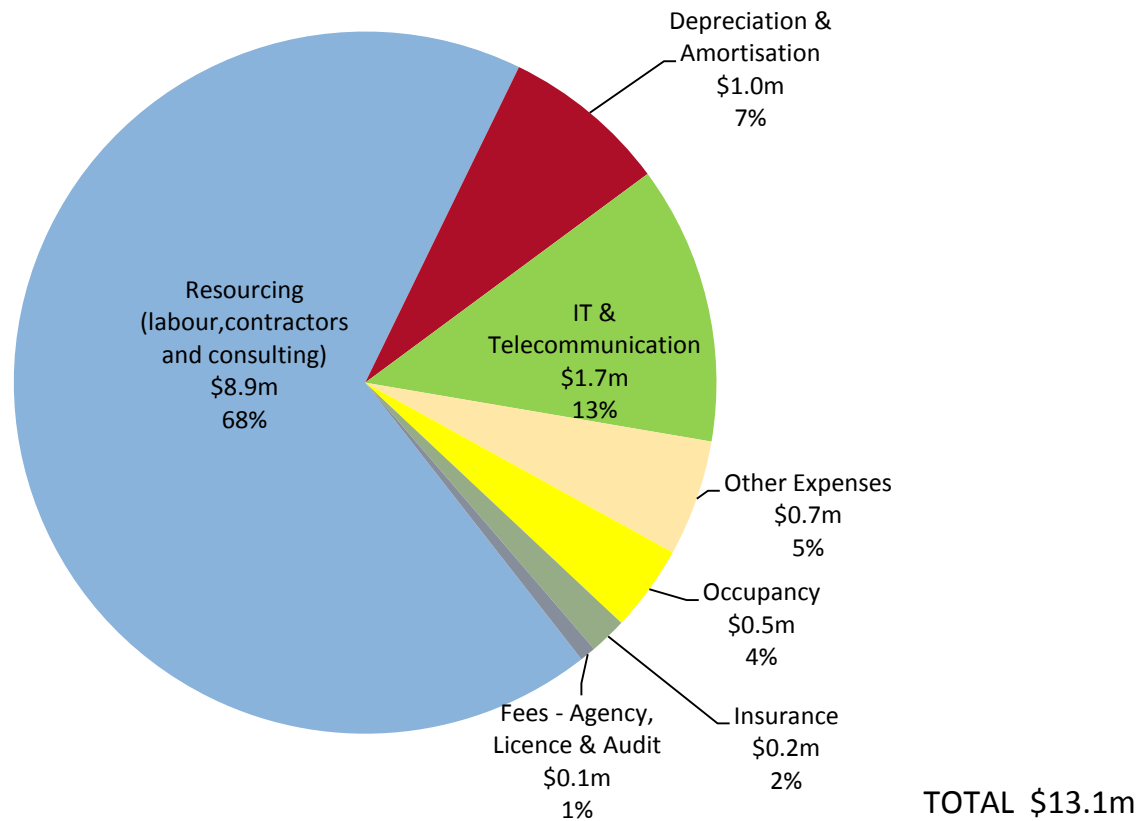


Table 6 Profit and Loss statement 2017-18 and comparison – FRC Electricity

	Budget 2016-17 \$'000	Budget 2017-18 \$'000	Variance \$'000 %	
Fees and tariffs	10,047	12,883	2,836	+28%
Other Revenue	50	273	223	+444%
Total Revenue	10,097	13,156	3,059	+30%
Resourcing (labour, contractors and consulting)	7,243	8,906	1,663	+23%
Fees - Agency, Licence & Audit	76	97	20	+27%
IT & Telecommunication	1,210	1,685	475	+39%
Occupancy	429	520	91	+21%
Insurance	210	225	15	+7%
Other Expenses	616	703	88	+14%
Depreciation & Amortisation	715	1,006	291	+41%
Total Expenditure	10,499	13,142	2,643	+25%
Surplus/ (Deficit)	(401)	14	415	
Brought Forward Surplus/ (Deficit)	514	(15)	(529)	
Accumulated Surplus/ (Deficit)	113	(0)		

Key Points:

- FRC electricity revenue for 2017-18 is estimated to be \$3.1M (30%) higher than budgeted in 2016-17.
- FRC electricity expenditure for 2017-18 is estimated to be \$2.6M (25%) higher than budgeted in 2016-17. This is mainly due to:
 - Resourcing costs (+\$1.7M)**
Resourcing costs are budgeted to increase in 2017-18 due to more resources allocated to Power of Choice projects.
 - IT & Telecommunication (+\$0.5M)**
IT & telecommunication costs are budgeted to increase in 2017-18 due to systems required for Power of Choice and additional licences.
 - Depreciation & Amortisation (+\$0.3M)**
Depreciation & amortisation is budgeted to increase in 2017-18 due to increased IT investment to ensure systems are fit for purpose and supported along with initiatives that require initial investment to consolidate systems and services that will reduce future maintenance costs.

NATIONAL TRANSMISSION PLANNER (NTP)

4.1 Fees

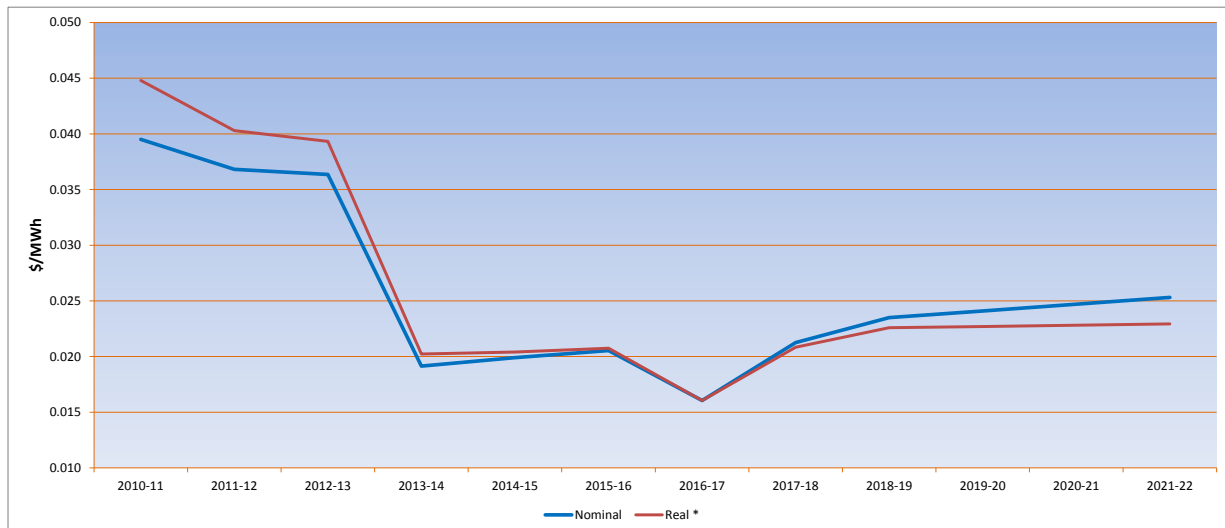
The NTP fee is budgeted to increase by 32% from \$0.01606/MWh to \$0.02126/MWh in 2017-18 which is closely aligned to the 2017-18 fee estimated in the 2016-17 budget.

The 2017-18 increase is due to the 2016-17 fee being lowered to return a surplus from prior years.

Table 7 NTP projected fee

Fee	Actual 2016-17	Budget 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22
(\$/MWh)	0.01606	0.02126	0.02350	0.02409	0.02470	0.02532
	-22%	+32%	+11%	+3%	+3%	+3%

Figure 7 – NTP projected fees



* Real values are the nominal amounts adjusted for inflation. Prices have been calculated relative to the 2016-17 price.

4.2 Revenue and Expenditure

The expenditure is detailed below in Figure 8 by expenditure category

Figure 8 – Expenditure by category 2017-18

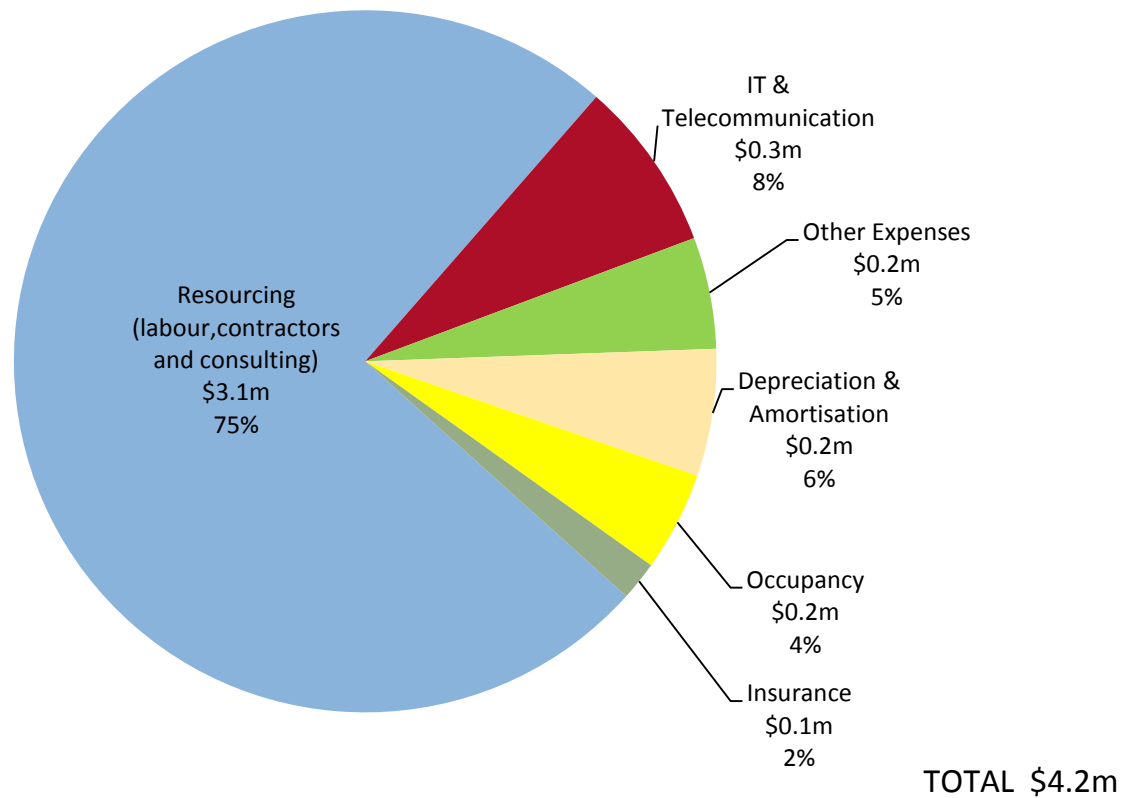


Table 8 Profit and Loss statement 2017-18 and comparison – NTP

	Budget 2016-17 \$'000	Budget 2017-18 \$'000	Variance	
			\$'000	%
Fees and tariffs	2,889	3,867	979	+34%
Other Revenue	34	4	(30)	-87%
Total Revenue	2,923	3,872	949	+32%
Resourcing (labour, contractors and consulting)	2,862	3,116	253	+9%
Fees - Agency, Licence & Audit	16	21	5	+31%
IT & Telecommunication	292	333	40	+14%
Occupancy	180	188	7	+4%
Insurance	79	73	(6)	-7%
Other Expenses	214	210	(3)	-2%
Depreciation & Amortisation	134	241	106	+79%
Total Expenditure	3,778	4,181	403	+11%
Surplus/ (Deficit)	(854)	(309)	546	
Brought Forward Surplus/ (Deficit)	854	309	(546)	
Accumulated Surplus/ (Deficit)	0	(0)		

Key Points:

- NTP revenue for 2017-18 is budgeted to be \$1.0M (32%) higher than in the 2016-17 budget.
- NTP expenditure for 2017-18 is budgeted to increase by \$0.4M (11%) from the 2016-17 budget mainly due to:
 - **Resourcing (+\$0.3M)**
Resourcing costs are budgeted to increase mainly due to work required on the development of electricity forecasts.
 - **Depreciation & Amortisation (+\$0.1M)**
Depreciation & Amortisation costs are budgeted to increase in 2017-18 mainly due to increased investment in IT systems.



ENERGY CONSUMERS AUSTRALIA

In May 2014, the Council of Australian Governments (COAG) Energy Council approved establishment of the Energy Consumers Australia (ECA) to absorb the functions of the existing Consumer Advocacy Panel (CAP) and to promote the long term interests of energy consumers, in particular for residential customers and small business customers. AEMO is required to recover funding for the ECA from market participants.

The commencement date of the ECA was 30 January 2015.

Table 11 reflects the fees to be collected in electricity ECA fees for 2017-18.

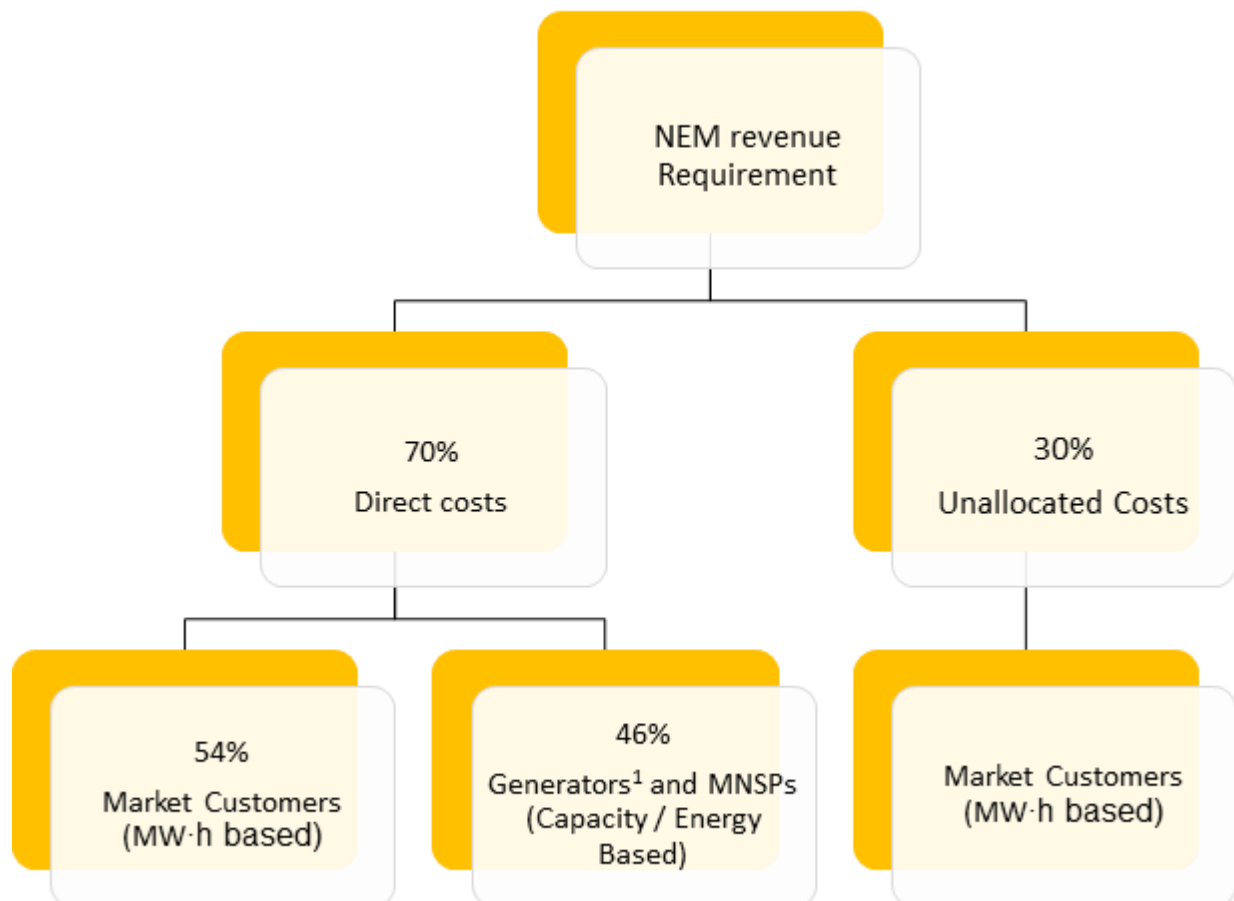
Table 9 Energy Consumers Australia (ECA) requirements

AEMO's ECA Fees	Actual 2016-17	Budget 2017-18
Electricity (\$ / connection point for small customers per week)	0.00951 -3%	0.00979 +3%

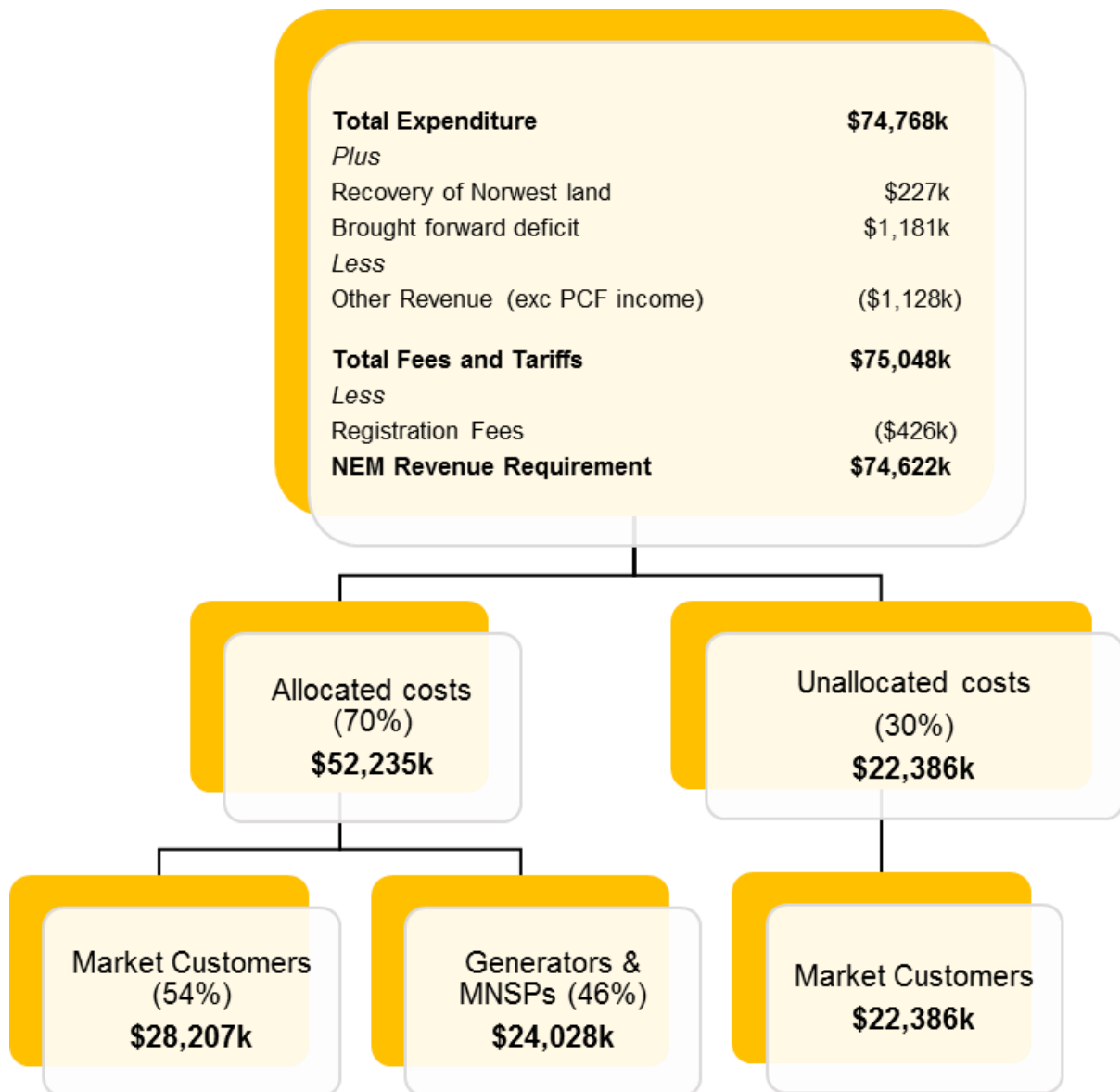
APPENDIX A. NEM FEE STRUCTURE

Overview of NEM fee calculation

The NEM fee determination requires the annual revenue to be allocated as follows:



¹ Excludes Non-Market Non-scheduled generators. Fees may vary between classes of generators.





APPENDIX B. ELECTRICITY REVENUE AND FEE

Revenue requirement and fee schedule for 2017-18

Function	Budget 2017-18 \$'000	Rate	Paying Participants
NEM			
General Fees (unallocated)	22,386	\$0.12307/ MW·h of customer load	Market Customers
Allocated Fees			
Market Customers	28,207	\$0.15507/ MW·h of customer load	Market Customers
Generators ¹ and Market Network Service Providers	24,028	Daily rate calculated on 2016 capacity/ energy basis	Generators and Market Network Service Providers
NEM Revenue Requirement	74,622		
Participant Compensation Fund	1,000	Daily rate calculated on capacity/ energy basis	Scheduled Generators, Semi-Scheduled Generators and Scheduled Network Service Providers
Registration fees	426		Intending Participants
Other	1,138		Dependent on service provided
TOTAL NEM	77,186		
FRC ELECTRICITY			
FRC Operations	12,883	\$0.07500/ MWh of customer load in jurisdictions with FRC	Market Customers with a Retail Licence
Other	273		Dependent on service provided
TOTAL FRC ELECTRICITY	13,156		
National Transmission Planner	3,867	\$0.02126/ MW·h of customer load	Market Customers
Electricity Consumer Advocacy Panel	5,002	\$0.00979/ connection point for small customers/ week	Market Customers
Additional Participant ID		\$5,000 per additional participant ID	Existing Participants

¹ Excluding non market non scheduled generators



Fee schedule for 2017-18 and forward years estimates

Function	Rate ¹					Basis	Paying Participants
	Budget 2017-18	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22		
NEM							
General Fees (unallocated)	0.12307	0.12268	0.12339	0.12614	0.12912	MW-h of customer load	Market Customers
Allocated Fees							
- Market Customers	0.15507	0.15458	0.15547	0.15893	0.16269	MW-h of customer load	Market Customers
- Generators ² and Market Network Service Providers	24,028	24,021	24,189	24,764	25,388	Daily rate calculated on capacity/ energy basis	Generators and Market Network Service Providers
Participant Compensation Fund	0.01	TBC	TBC	TBC	TBC	Daily rate calculated on capacity/ energy basis	Scheduled Generators, Semi-Scheduled Generators and Scheduled Network Service Providers
FRC ELECTRICITY							
FRC Operations	0.07500	0.07200	0.07400	0.07600	0.07800	MW-h of customer load in jurisdictions with FRC	Market Customers with a Retail Licence
Other							
National Transmission Planner	0.02126	0.02350	0.02409	0.02470	0.02532	MW-h of customer load	Market Customers
Electricity Consumer Advocacy Panel	0.00979	TBC	TBC	TBC	TBC	connection point for small customers/ week	Market Customers

[1] All fees and rates are exclusive of GST

[2] Excluding non market non scheduled generators



Fee schedule of electricity registrations

Application Type	2017-18 \$
Registration as Scheduled Market Generator ¹	20,000
Registration as Semi-Scheduled Market Generators	20,000
Registration as Scheduled Non-Market Generator	10,000
Registration as Semi-Scheduled Non-Market Generators	10,000
Registration as Non-Scheduled Market Generator	10,000
Registration as Market Customer	10,000
Registration as Market Small Generation Aggregator	10,000
Transfer of Registration	10,000
Registration as Metering Co-ordinator (MC) ²	10,000
Registration as Market Ancillary Service Provider	10,000
Registration as Non-Scheduled Non-Market Generator	5,000
Registration as Network Service Provider	5,000
Registration as Trader	5,000
Registration as Reallocator	5,000
Classification of generating units for frequency control ancillary services purposes	5,000
Classification of load for frequency control ancillary services purposes - new ancillary service load or aggregated ancillary service load	5,000
Registration as Intending Participants	2,000
Exemption from registration	2,000

¹ Each category of *Generator* in this table includes applications made by persons intending to act as intermediaries.

² The registration fee will not apply to Network Operators that become the Initial Metering Coordinator from 1 December 2017 and Metering Coordinator for Type 7 meters (unmetered load).



Fee schedule of new Power of Choice accreditations

Application Type	2017-18 \$
Embedded Network Manager	2,000
Metering Data Providers	5,000
Metering Providers	5,000
Incremental charge rate per hour	150



LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
ECA	Energy Consumers Australia
FRC	Full Retails Contestability
MW·h	megawatt hour
NA	not applicable
NEFR	National Electricity Forecast Report
NEM	National Electricity Market
NER	National Electricity Rules
NTP	National Transmission Planner
PCF	Participant Compensation Fund