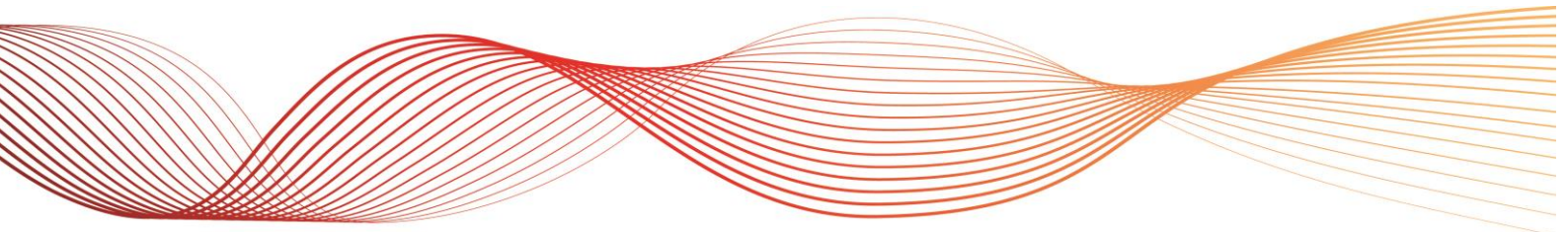


ELECTRICITY FINAL BUDGET AND FEES: 2015-16

PUBLISHED MAY 2015



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EXECUTIVE SUMMARY

Introduction

AEMO operates on a cost recovery basis as a company limited by guarantee under the Corporations Act (2001). AEMO fully recovers its 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 requirements under the National Electricity Rules (NER). The fee structure details how AEMO will calculate fees and who it charges. The current fee structure for electricity markets is effective to 30 June 2016.

This document sets out the final 2015-16 budget and fees for AEMO’s electricity functions.

It provides a consolidated view of the 2015-16 revenue and expenses and the fees for each function. In budgeting for 2015-16, AEMO has continued to apply strong commercial discipline to control costs to reduce the impact of fee increases to market participants. As a result, lower fee levels for 2015-16 are achieved for most functions compared to the current 2014-15 fees.

Table 1 Key points

<ul style="list-style-type: none"> Energy consumption flat 	↔	NEM (excluding LNG) is flat next 5 years
<ul style="list-style-type: none"> Lower NEM fee in 2015-16 compared to current. 	↓	NEM fee \$0.38/MWh (2014-15: \$0.39/MWh)

2015-16 fees

Table 2 Key fees

Key Fees	Budget 2015-16	Current 2014-15	Change	Prior year published estimate 2015-16	Unit
NEM	0.38	0.39	↓ -5%	0.41	\$/MWh
FRC - Electricity	0.040	0.060	↓ -33%	0.064	\$/MWh
National Transmission Planner	0.02054	0.01990	↑ 3%	0.02651	\$/MWh



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Energy consumption

National Electricity Market (NEM)

The consumption forecast for 2015-16 is based on the most recent available forecast information which is the June 2014 National Electricity Forecast Report (NEFR) and the NEFR update published December 2014.

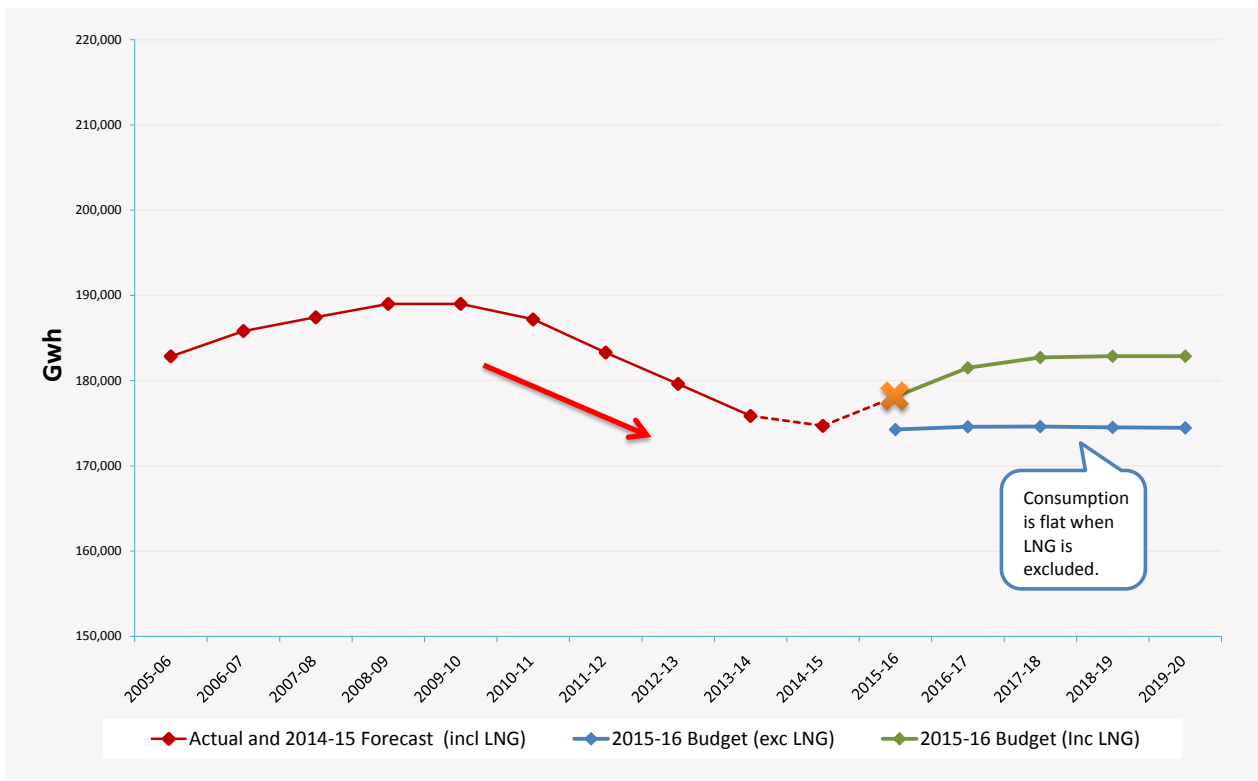
The 2015-16 and forward years electricity consumption (excluding LNG) assumes a flat growth. LNG is the main driver contributing to the small total NEM growth.

Table 3 NEM consumption

GWh	Budget 2014-15	Forecast ¹ 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
NEM (excluding LNG)	170,968	174,015	174,281	174,599	174,616	174,533	174,484
LNG	637	698	3,846	6,905	8,107	8,334	8,393
TOTAL	171,606	174,713	178,127	181,504	182,723	182,867	182,877
			+3.8%	+1.9%	+0.7%	+0.1%	+0.0%

¹ Forecast annual 2014-15 consumption as at December 2014

Figure 1 Annual electricity consumption (market customer load)



Revenue requirement and fee schedule

Table 4 Revenue requirement and fee schedule

Function	Budget 2015-16 \$'000	Rate ¹	Paying Participants
NEM			
General Fees (unallocated)	20,053	\$0.11258/ MW·h of customer load	Market Customers
Allocated Fees			
- Market Customers	25,267	\$0.14185/ MW·h of customer load	Market Customers
- Generators ² and Market Network Service Providers	21,524	Daily rate calculated on 2014 capacity/ energy basis	Generators and Market Network Service Providers
Participant Compensation Fund	Nil	Daily rate calculated on capacity/ energy basis	Scheduled Generators, Semi-Scheduled Generators and Scheduled Network Service Providers
Registration fees	280	Refer to Electricity schedule of registration fees	Intending Participants
Other	1,596		Dependent on service provided
TOTAL NEM	68,720		
FRC ELECTRICITY			
FRC Operations	6,474	\$0.04000/ MW·h of customer load in jurisdictions with FRC	Market Customers with a Retail Licence
Other	78		Dependent on service provided
TOTAL FRC ELECTRICITY	6,552		
National Transmission Planner	3,658	\$0.02054/ MW·h of customer load	Market Customers
Energy Consumers Australia	4,851	\$0.00976/ connection point for small customers/ week	Market Customers
Additional Participant ID		\$5,000 per additional participant ID	Existing Participants

[1] All fees and rates are exclusive of GST

[2] Excluding non market non scheduled generators

Schedule of Registration fees

Table 5 Registration fees

Application Type	2015-16 \$
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 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
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.

1 NATIONAL ELECTRICITY MARKET

1.1 Fees

The benchmark NEM fee will decrease from \$0.39/MWh to \$0.38/MWh in 2015-16. This is below the estimate provided to stakeholders in last year’s budget process of \$0.41/MWh.

The NEM fee is calculated on an annual break-even basis.

The total consumption in the NEM for 2015-16 is forecast to be 3.8% higher than the 2014-15 budgeted consumption. This is primarily driven by an increase in consumption relating to LNG production.

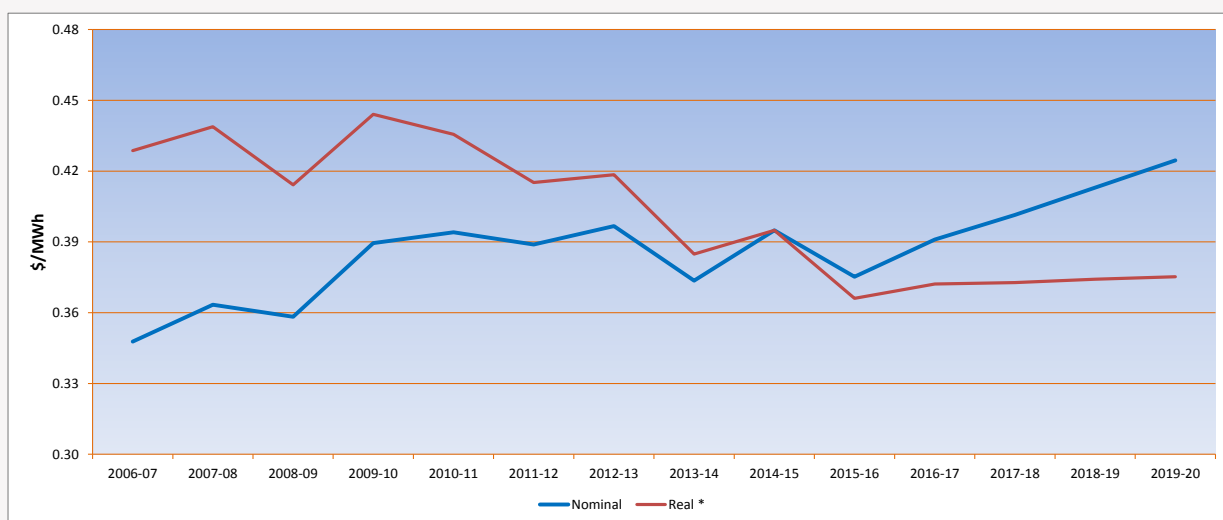
The combination of a budgeted increase in consumption, the reduction in NEM expenditure and a forecast surplus in the current year has allowed the NEM fee to be decreased in 2015-16.

The Participant Compensation Fund (PCF) fee does not need to be charged in 2015-16 as the current level of NEM PCF funds being held meet the Rules requirement.

Table 6 NEM projected fees (indicative benchmark)

Fee	Actual 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
NEM fee (\$/MWh)	0.39	0.38	0.39	0.40	0.41	0.42
		-5.0%	+4.2%	+2.7%	+2.9%	+2.8%

Figure 2 NEM projected fees



* Real values are the nominal amounts adjusted for inflation. Prices have been calculated relative to the 2014-15 price.

1.2 Revenue and Expenditure

The expenditure is detailed below in Figure 3 by expenditure category.

Figure 3 Expenditure by category 2015-16

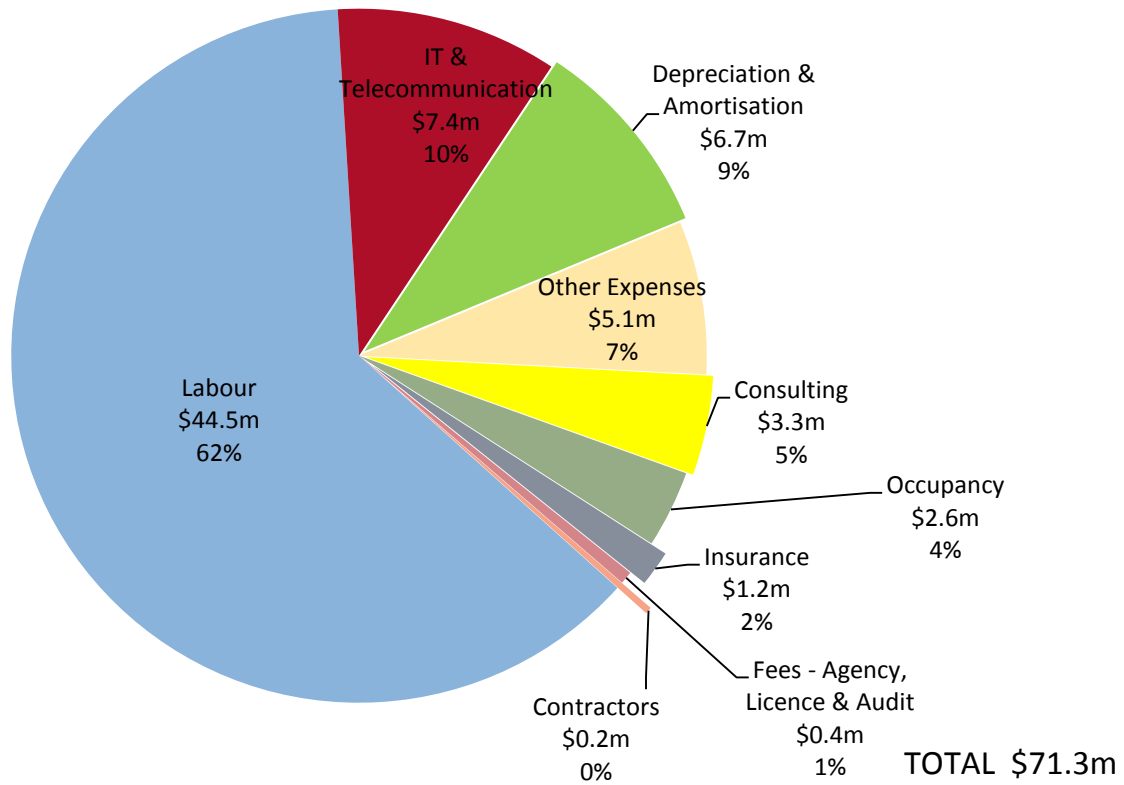


Table 7 Profit and Loss statement 2015-16 and comparison

	Budget	Forecast	Budget	Variance to Budget	
	2014-15 \$'000	2014-15 \$'000	2015-16 \$'000	\$'000	%
Fees and tariffs	68,013	68,935	67,124	(889)	-1%
Other Revenue	2,838	2,351	1,596	(1,242)	-44%
Total Revenue	70,851	71,286	68,720	(2,131)	-3%
Labour	44,451	44,471	44,468	17	+0%
Contractors	338	552	228	(110)	-33%
Consulting	4,333	3,035	3,310	(1,023)	-24%
Fees - Agency, Licence & Audit	441	402	420	(20)	-5%
IT & Telecommunication	6,872	6,766	7,351	480	+7%
Occupancy	2,519	2,436	2,567	48	+2%
Insurance	1,276	1,249	1,183	(93)	-7%
Other Expenses	5,257	4,928	5,084	(173)	-3%
Depreciation & Amortisation	6,367	6,421	6,703	337	+5%
Total Expenditure	71,852	70,259	71,314	(538)	-1%
Surplus/ (Deficit)	(1,001)	1,027	(2,594)	(1,593)	
Transfer to PCF	(402)	(402)	(394)	7	
Brought Forward Surplus/ (Deficit)	1,865	3,005	3,630	1,765	
Accumulated Surplus/ (Deficit)	462	3,630	642		

Key Points:

- Revenue for 2015-16 is estimated to be \$2.1M (3%) lower than the 2014-15 budget. This is mainly due to lower fees being charged in 2015-16.
- Expenditure for 2015-16 is estimated to be \$0.5M (1%) lower than 2014-15 budget. This is mainly due to:

- **Consulting**

Lower budgeted consulting costs as a result of the completion of the value customer reliability (VCR) review project and NEM resilience projects.

- **IT & Telecommunication**

Higher IT & telecommunication costs mainly due to the relocation of AEMO's Brisbane internal data centre to an external data centre provider.

- **Depreciation**

Higher depreciation costs in 2015-16 mainly due to the completion of a number of projects including the automation of the MVar dispatch scheduler.

1.3 PCF fees

The National Electricity Rules require AEMO to maintain a Participant Compensation Fund for the purpose of paying 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.

The estimated balance of the NEM PCF at 30 June 2015 is \$5.2M.

The funding requirement for 2015-16 is \$Nil.

Table 8 NEM PCF

NEM PCF	Budget 2014-15 \$'000	Forecast 2014-15 \$'000	Budget 2015-16 \$'000
PCF Fees	-	-	-
PCF Interest	175	164	168
Revenue (including interest)	175	164	168
PCF Claims	-	-	-
Net Surplus	175	164	168
Opening PCF Reserve	5,101	5,013	5,177
Closing PCF Reserve	5,276	5,177	5,345

2 FULL RETAIL CONTESTIBILITY ELECTRICITY

2.1 Fees

The Full Retail Contestability (FRC) electricity fee will reduce from \$0.060/MWh to \$0.040/MWh in 2015-16.

The FRC Electricity fee is calculated on an annual break-even basis.

The 2015-16 fee is lower than the \$0.064/MWh estimate provided to stakeholders as part of last year’s budget process, mainly due to a forecast over-recovery of revenue in 2014-15 which is to be returned to participants in 2015-16 by way of a reduced fee.

Fees for 2016-17 are then expected to increase by 33% after the surplus is fully returned to return to a break-even position.

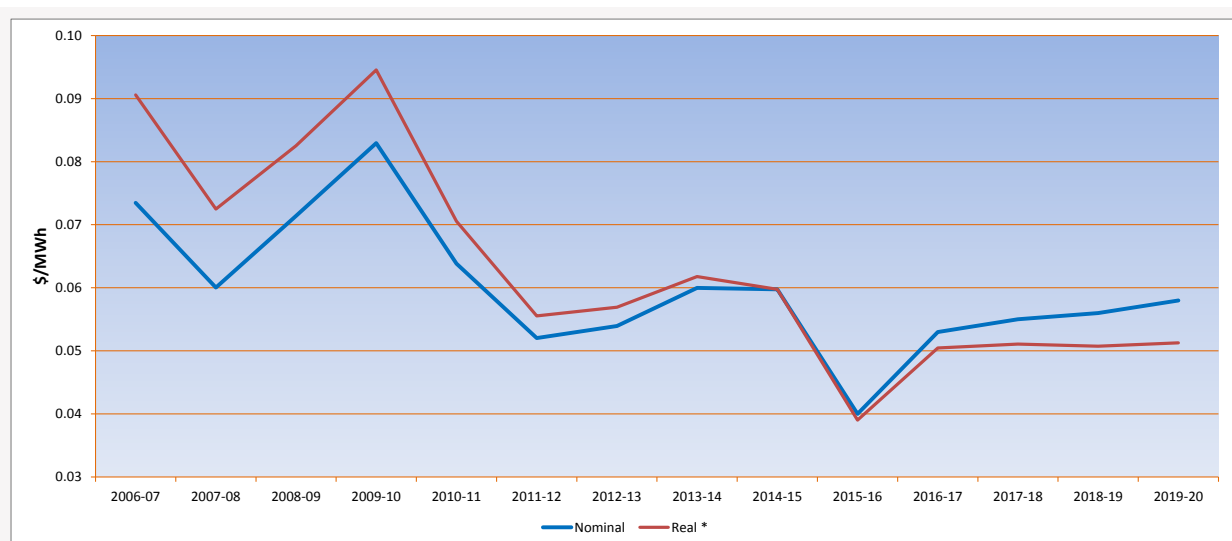
Table 9 Energy data 2015-16

	Budget 2014-15	Budget 2015-16
Retailer Load forecast	157,660,598 MW·h	162,095,159 MW·h
Retailer Load forecast for FRC jurisdictions	147,932,218 MW·h	162,095,159 MW·h

Table 10 FRC Electricity Projected Fees (Indicative Benchmark)

Fee	Actual 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
(\$/MWh)	0.060	0.040	0.053	0.055	0.056	0.058
		-33%	+33%	+4%	+2%	+4%

Figure 4 FRC electricity projected fees



* Real values are the nominal amounts adjusted for inflation. Prices have been calculated relative to the 2014–15 price.

2.2 Revenue and Expenditure

The expenditure is detailed below in Figure 5 by expenditure category.

Figure 5 Expenditure by category 2015-16

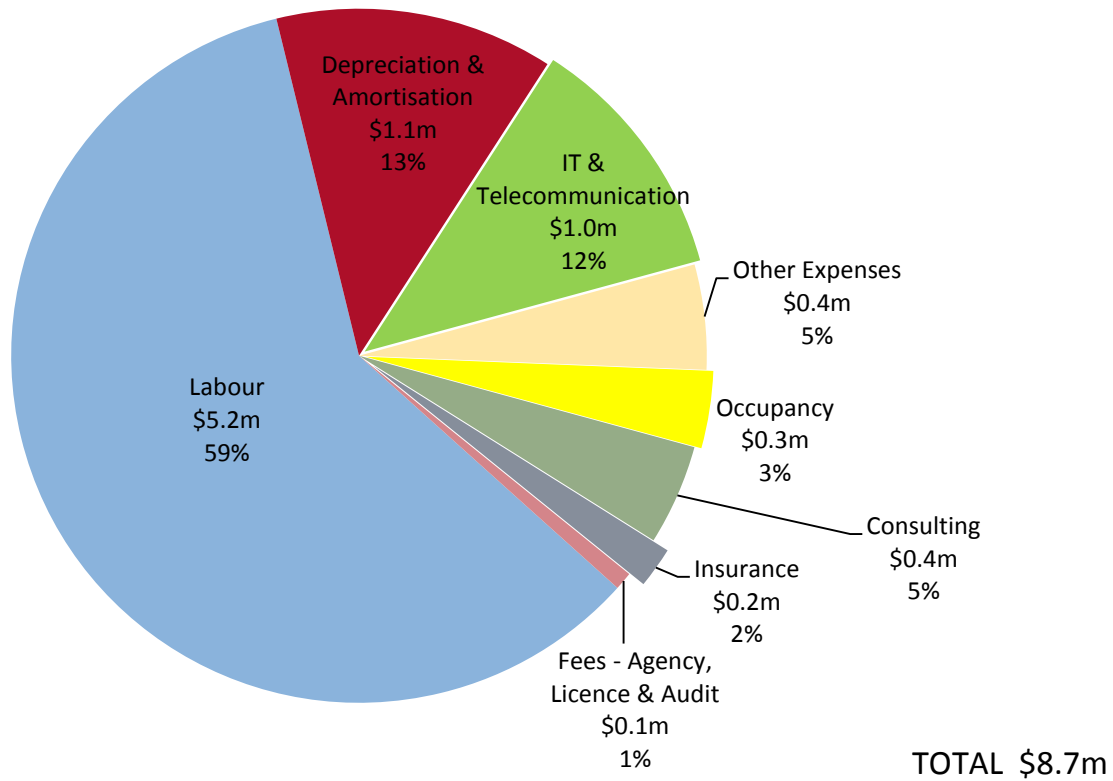


Table 11 Profit and Loss statement 2015-16 and comparison

	Budget	Forecast	Budget	Variance to Budget	
	2014-15 \$'000	2014-15 \$'000	2015-16 \$'000	\$'000	%
Fees and tariffs	8,840	9,686	6,474	(2,366)	-27%
Other Revenue	84	78	78	(6)	-7%
Total Revenue	8,924	9,765	6,552	(2,372)	-27%
Labour	5,607	4,905	5,186	(420)	-7%
Contractors	31	53	15	(16)	-52%
Consulting	295	313	408	113	+38%
Fees - Agency, Licence & Audit	66	62	73	6	+10%
IT & Telecommunication	1,006	915	1,015	9	+1%
Occupancy	354	290	313	(41)	-12%
Insurance	197	165	166	(31)	-16%
Other Expenses	501	399	426	(75)	-15%
Depreciation & Amortisation	1,357	1,286	1,128	(230)	-17%
Total Expenditure	9,415	8,387	8,730	(685)	-7%
Surplus/ (Deficit)	(491)	1,378	(2,178)	(1,687)	
Brought Forward Surplus/ (Deficit)	508	855	2,233	1,725	
Accumulated Surplus/ (Deficit)	17	2,233	55		

Key Points:

- Revenue for 2015-16 is estimated to be \$2.4M (27%) lower than the 2014-15 budget. This is mainly due to lower fees being charged in 2015-16.
- Expenditure for 2015-16 is estimated to be \$0.7M (7%) lower than the 2014-15 budget mainly due to:
 - **Labour**
Labour costs are budgeted to decrease by \$0.4M (7%) mainly due to decreased resources allocated to this function.
 - **Consulting**
Higher consulting costs as a result of the metering competition project in 2015-16.
 - **Depreciation**
Lower depreciation costs mainly due to retail market electricity assets that are now fully depreciated.

3 NATIONAL TRANSMISSION PLANNER

3.1 Fees

The NTP fee is budgeted to increase from \$0.01990/MWh to \$0.02054/MWh in 2015-16.

The 2014-15 fee was lowered in order to return an over-recovery from the prior year.

The 2015-16 fee is lower than the fee of \$0.02651/MWh estimated as part of last year's budget process mainly due to lower expenditure incurred in 2014-15 compared to budget.

Table 12 National Transmission Planner Projected Fees

Fee	Actual 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
(\$/MW·h)	0.01990	0.02054	0.02421	0.02538	0.02624	0.02702
		+3%	+18%	+5%	+3%	+3%

3.2 Revenue and Expenditure

The expenditure is detailed below in Figure 6 by expenditure category.

Figure 6 Expenditure by category 2015-16

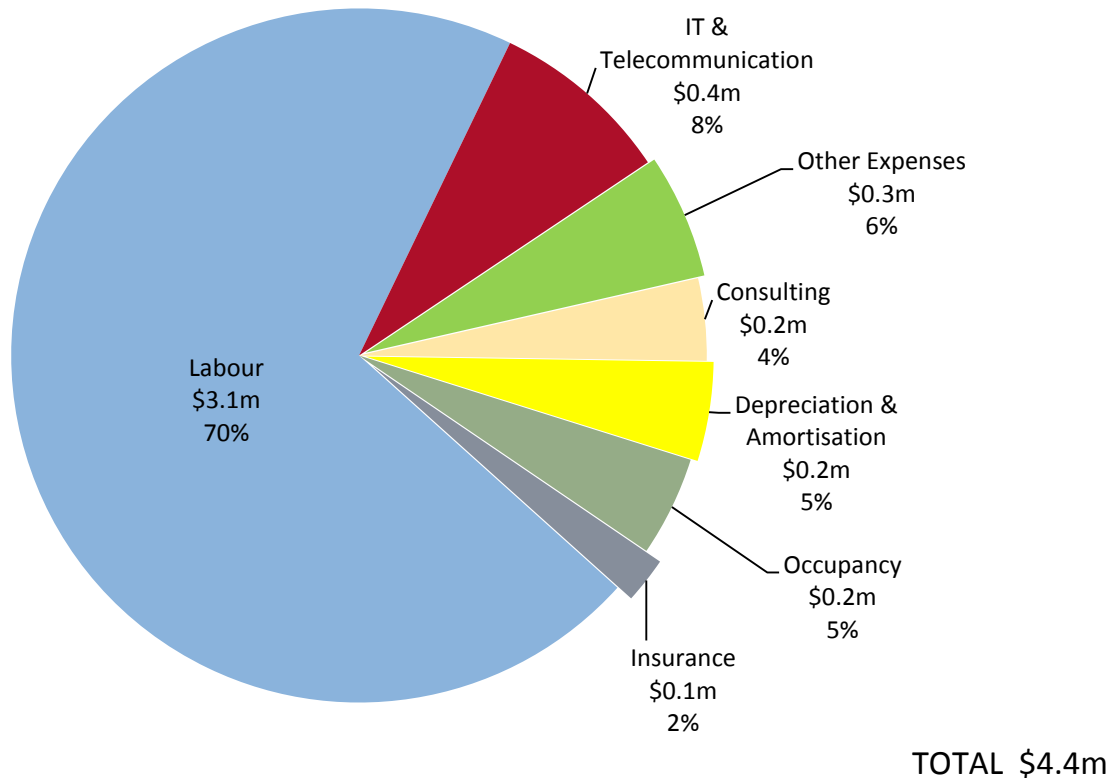


Table 13 Profit and Loss statement 2015-16 and comparison

	Budget	Forecast	Budget	Variance to	
	2014-15	2014-15	2015-16	Budget	
	\$'000	\$'000	\$'000	\$'000	%
Fees and tariffs	3,415	3,514	3,658	243	+7%
Other Revenue	36	37	37	1	+3%
Total Revenue	3,451	3,551	3,695	244	+7%
Labour	2,936	2,709	3,109	173	+6%
Contractors	15	25	10	(5)	-36%
Consulting	245	112	169	(77)	-31%
Fees - Agency, Licence & Audit	12	9	13	1	+11%
IT & Telecommunication	295	239	373	78	+26%
Occupancy	174	135	206	32	+18%
Insurance	88	69	95	7	+7%
Other Expenses	255	210	257	1	+0%
Depreciation & Amortisation	185	165	204	19	+10%
Total Expenditure	4,206	3,673	4,433	227	+5%
Surplus/ (Deficit)	(755)	(122)	(738)	17	
Brought Forward Surplus/ (Deficit)	822	1,015	893	72	
Accumulated Surplus/ (Deficit)	67	893	155		

Key Points:

- Revenue for 2015-16 is budgeted to be \$0.2M (7%) higher than the 2014-15 budget. This is mainly due to the higher fee for 2015-16.
- Expenditure for 2015-16 is budgeted to increase by \$0.2M (6%) from the 2014-15 budget mainly due to:
 - **Labour**

The increased labour costs are predominantly driven by the CPI increase and an additional resource dedicated to work on reporting and interactive maps.
 - **Consulting**

Lower consulting costs mainly due to the revenue reset peer review and NEM resilience works undertaken in 2014-15 only.
 - **IT & telecommunication**

Higher IT & Telecommunication costs mainly due to the move to an external data centre.

4 ENERGY CONSUMERS AUSTRALIA

In May 2014 the Council of Australian Governments (COAG) Energy Council approved the establishment of Energy Consumers Australia (ECA) to promote the long term interests of energy consumers, in particular for residential customers and small business customers.

AEMO is required to recover the funding for the ECA from market participants. This has replaced to Consumer Advocacy Panel (CAP) fee.

The commencement date of the ECA was 30 January 2015.

The below table reflects the fee to be collected for 2015-16.

Table 14 Energy Consumers Australia requirements

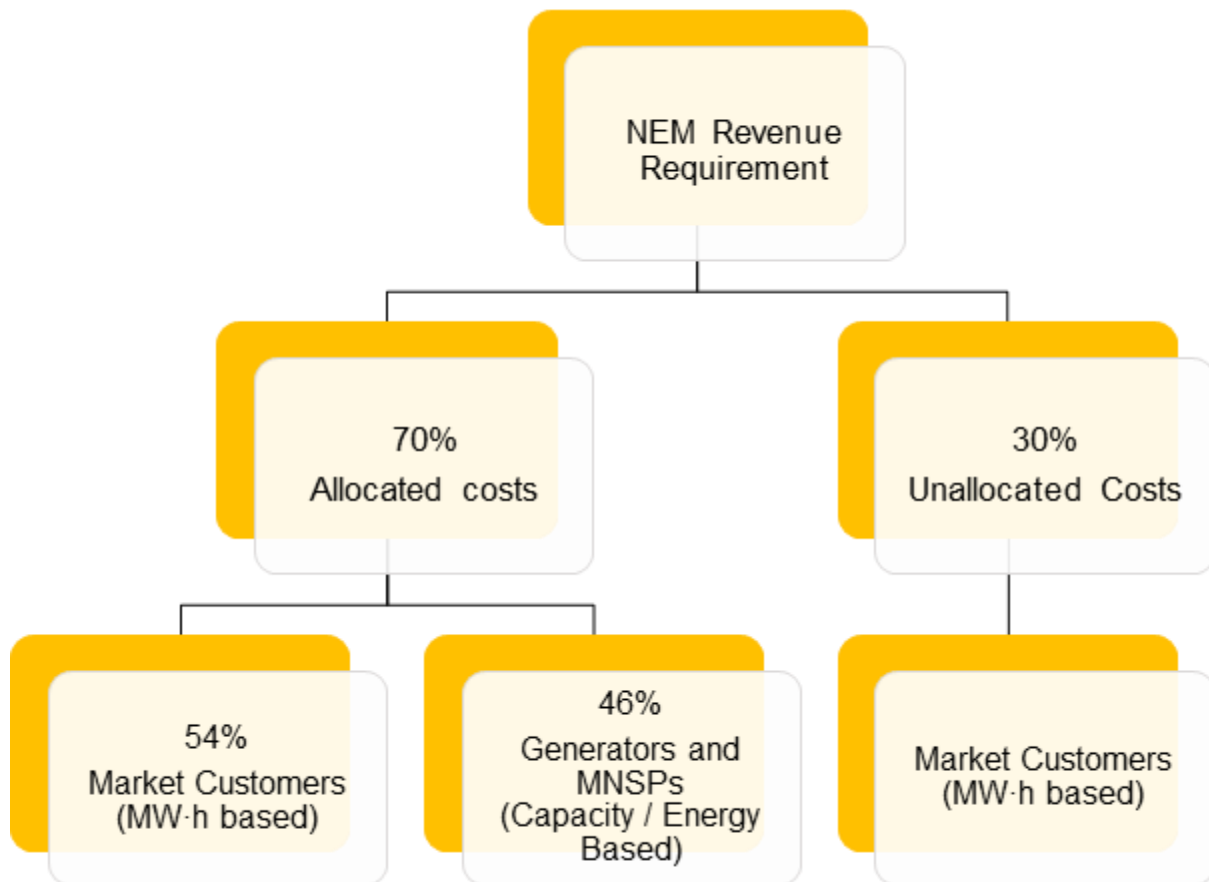
ECA Fees	Budget 2015-16	Actual 2014-15
Electricity (\$ / connection point for small customers / week)	0.00976 11%	0.00881

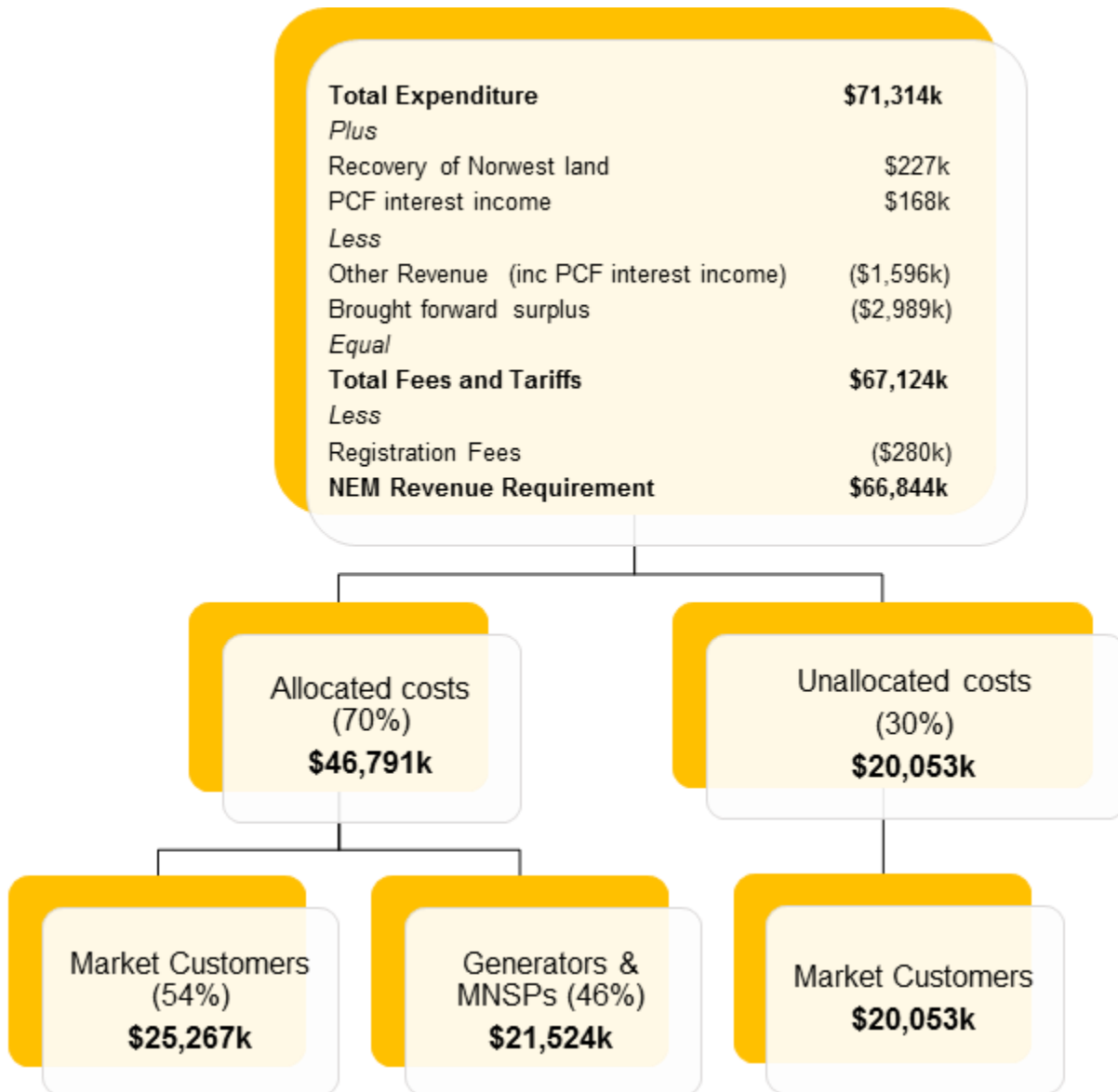
Appendix A. Electricity Fee Structure

Overview of NEM fee calculation

The NEM fees are calculated in accordance with the current NEM fee determination that became effective from 1 July 2011 for a five year period to 30 June 2016.

In summary the NEM fee determination requires the annual revenue requirement to be allocated as follows:





LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
ECA	Energy Consumers Australia
FRC	Full Retail Contestability
MW·h	megawatt hour
MCE	Ministerial Council on Energy
NA	not applicable
NEFR	National Electricity Forecast Report
NEM	National Electricity Market
NER	National Electricity Rules
NTP	National Transmission Planner
PCF	Participant Compensation Fund
TBC	to be confirmed
GJ	gigajoule

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