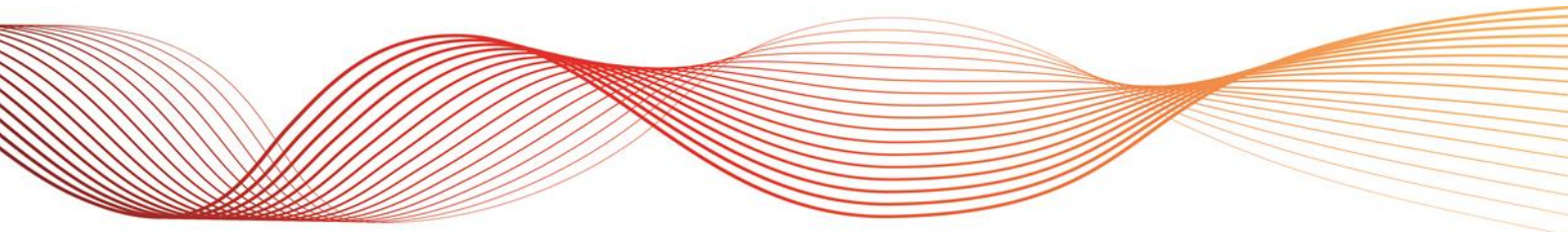




CONSOLIDATED FINAL BUDGET AND FEES: 2015-16

PUBLISHED: MAY 2015





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 of these functions are underpinned by a fee structure that is developed in consultation with stakeholders and in line with requirements under the National Gas Rules (NGR) and the National Electricity Rules (NER). The fee structures detail how AEMO will calculate fees and who will be charged these fees. The current fee structure for electricity markets is effective to 30 June 2016 and the new fee structure for our gas functions is effective 1 July 2015 to 30 June 2018.

AEMO’s annual budget sets out the amounts that will be charged under these fee structures.

The 2015-16 final budget 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:

- Cost efficiencies have been achieved over the last two years - the 2014-15 total budgeted operating expenditure was 2% lower than the 2013-14 budget. The final 2015-16 total budgeted operating expenditure is \$0.2M lower than the 2014-15 budget.
- As a result, AEMO has, in most cases, achieved fee levels below the current 2014-15 level.

Table 1 — Key points

<ul style="list-style-type: none"> • Lower fee levels achieved for most functions 		NEM fee \$0.38/MWh (\$0.41 estimate) STTM fee \$0.08193/GJ (\$0.09052 estimate)
<ul style="list-style-type: none"> • Energy consumption declining 		NEM (excluding LNG) is flat next 5 years DWGM declining next 5 years STTM declining next 5 years
<ul style="list-style-type: none"> • Expenditure reducing 		2015-16 operating expenditure is budgeted to decrease by \$0.2M compared to the 2014-15 budget.



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
VIC TNSP - TUOS Fees	512,354	501,699	↑ 2%	490,283	\$'000
FRC - Electricity	0.040	0.060	↓ -33%	0.064	\$/MWh
National Transmission Planner	0.02054	0.01990	↑ 3%	0.02651	\$/MWh
DWGM - Energy Tariff	0.08806	0.08230	↑ 7%	0.08477	\$/GJ withdrawn
STTM - Activity Fee	0.08193	0.08203	↔ 0%	0.09052	\$/GJ withdrawn
VIC FRC Gas	0.11495	0.11974	↓ -4%	0.11136	\$ per customer supply point/mth
QLD FRC Gas	0.30805	0.30805	↔ 0%	0.31729	\$ per customer supply point/mth
SA FRC Gas	0.29207	0.30728	↓ -5%	0.30728	\$ per customer supply point/mth
NSW & ACT FRC Gas	2,000	2,000	↔ 0%	2,000	\$'000
Gas Supply Hub - daily	0.03	0.03	↔ 0%	N/A	\$/GJ
Gas Supply Hub - weekly	0.02	0.02	↔ 0%	N/A	\$/GJ
Gas Bulletin Board	1,441	471	↑ 206%	N/A	\$'000
Gas Statement of Opportunities	0.0283	0.0283	↔ 0%	0.0269	\$ per customer supply point/mth
SA Planning	1,000	1,000	↔ 0%	N/A	\$'000
Settlement Residue Auctions	253	275	↓ -8%	N/A	\$'000

Refer to Section 1 for details on each key fee.

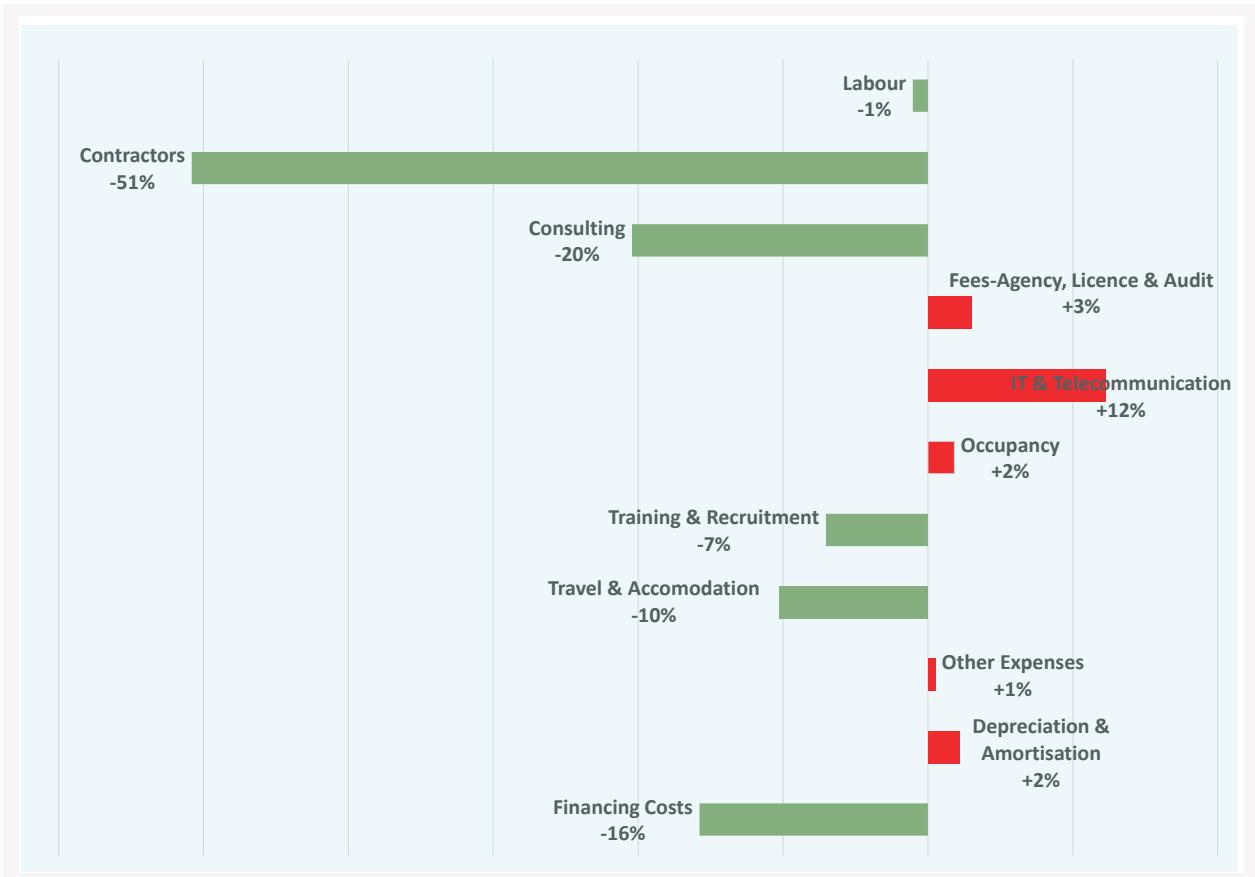


2015-16 Expenditure

AEMO has achieved lower budgeted expenditure for 2015-16 compared to the 2014-15 budget. The total budgeted spend in 2015-16 of \$141M is \$0.2M (0.1%) lower than 2014-15.

Figure 1 compares by spend category AEMO's 2015-16 budget to the 2014-15 budget.

Figure 1 – Comparison of budgeted expenditure by category



Refer to Section 2.3 for further detail.



Energy consumption

National Electricity Market

The final demand consumption 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 production is the main driver contributing to the small total NEM growth.

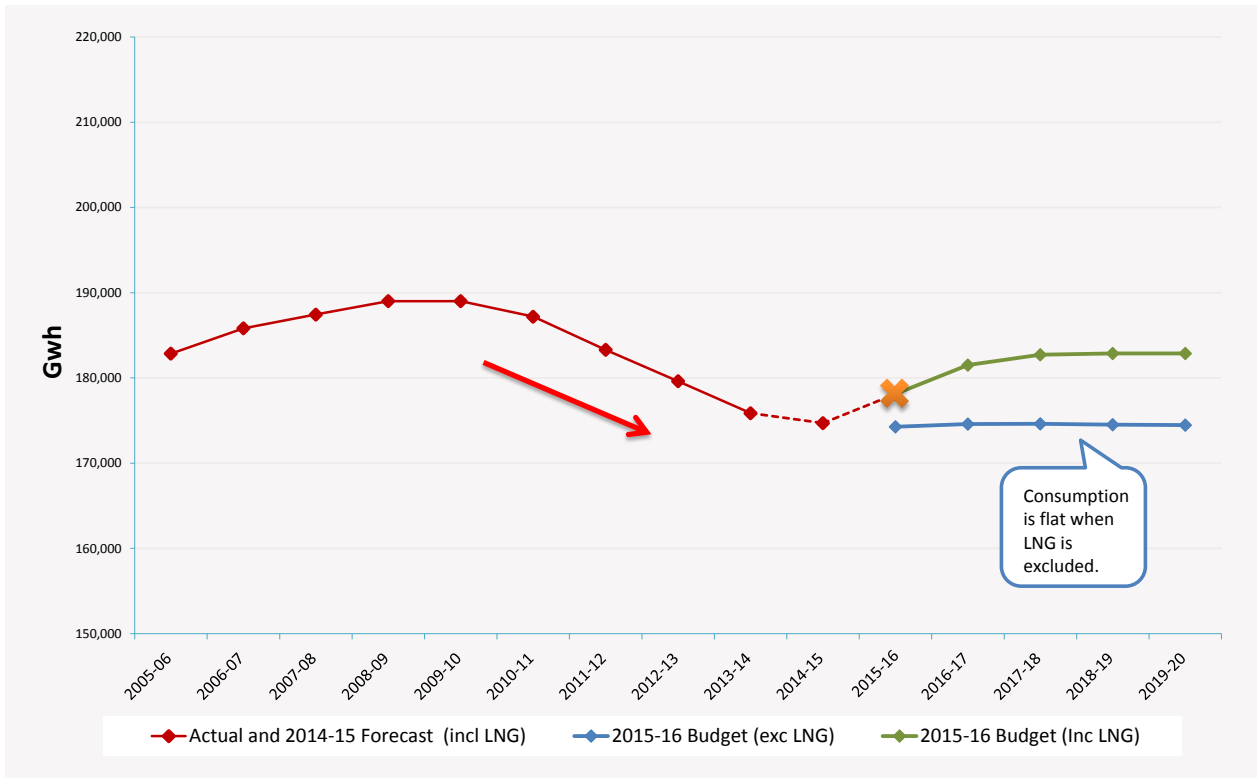
Table 3 — NEM consumption

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 2 below demonstrates consumption forecasted to calculate the NEM fee.

Figure 2 – Annual electricity consumption (market customer load)





Victorian Declared Wholesale Gas Market

The final forecast consumption is based on the National Gas Forecasting Report (NGFR) published in December 2014.

AEMO estimates in 2015-16 an overall decrease of 3% in consumption from the 2014-15 budget due to lower domestic consumption and lower exports to NSW, offset by a small increase in industrial consumption.

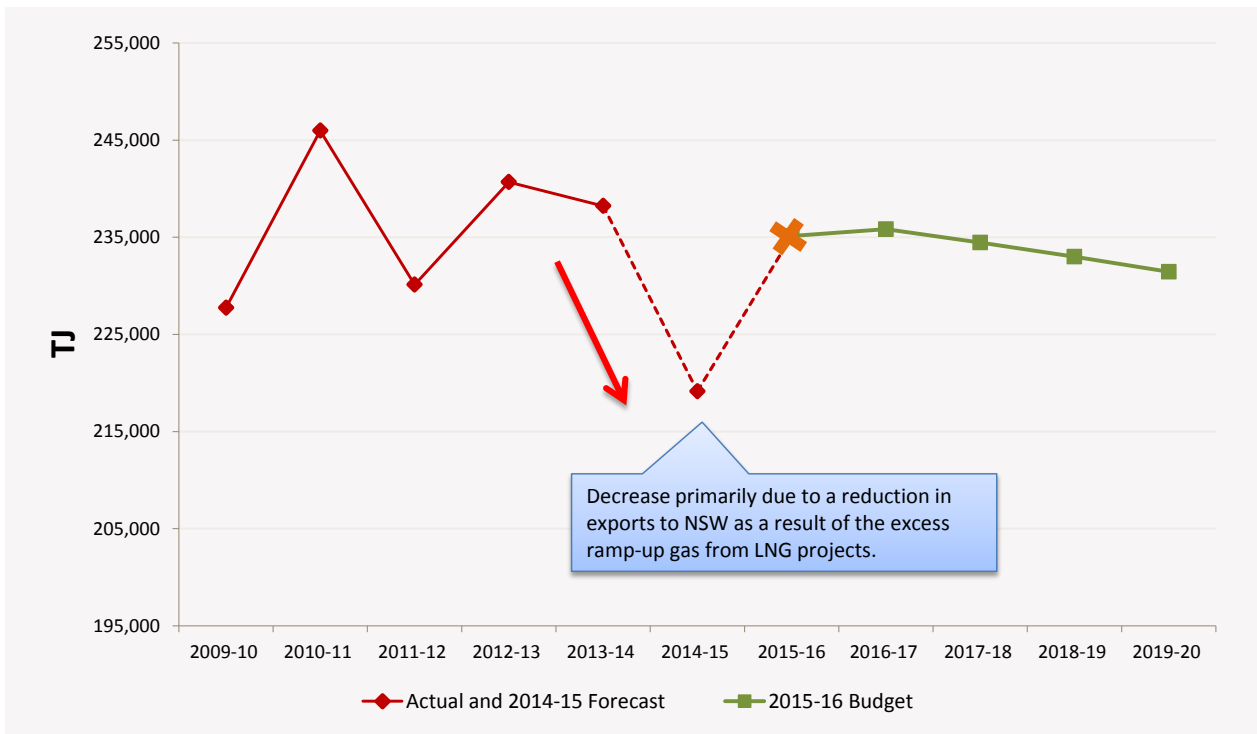
Table 4 — DWGM consumption

TJs	Budget 2014-15	Forecast ¹ 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
Tariff V (Domestic)	125,399	117,265	119,396	120,242	121,098	121,690	121,911
Tariff D (Industrial)	70,938	73,150	74,039	73,792	71,455	69,075	67,295
Export	43,830	25,116	39,447	39,447	39,447	39,447	39,447
GPG	2,130	3,620	2,254	2,369	2,470	2,797	2,797
TOTAL	242,296	219,150	235,136	235,850	234,470	233,008	231,450
			-3.0%	+0.3%	-0.6%	-0.6%	-0.7%

¹ Forecast annual 2014-15 consumption as at December 2014

Figure 3 below demonstrates the declining consumption on the DWGM fee.

Figure 3 – Annual DWGM consumption





Short Term Trading Market

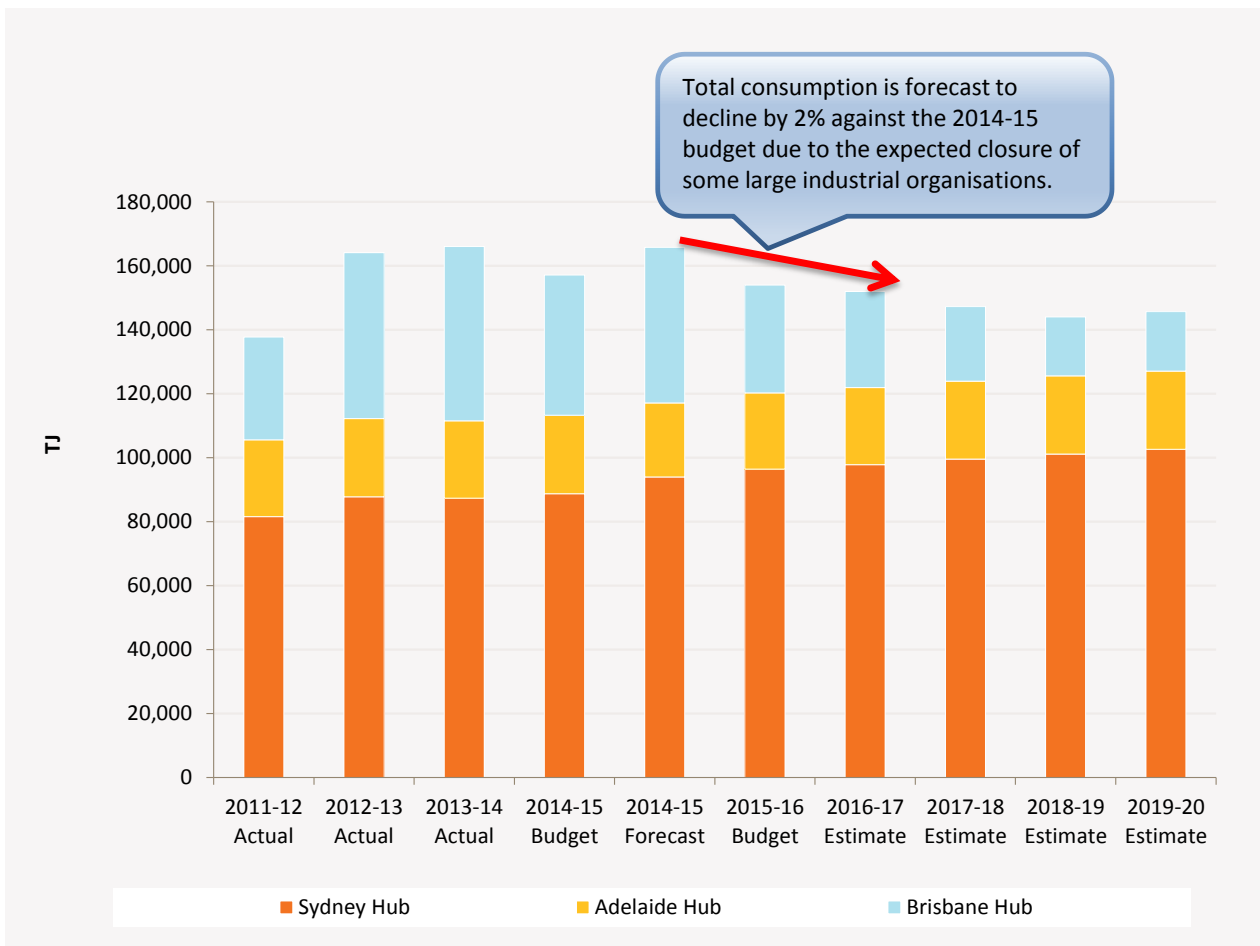
Consumption in the Short Term Trading Market (STTM) is expected to decline by 2% in 2015-16 compared to the 2014-15 budget and expected to continue declining for the next 3 years. This is mainly driven by reductions in the Brisbane hub with planned closures of large industrial companies.

Table 5 — STTM consumption

TJs	Budget 2014-15	Forecast ¹ 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
Adelaide	24,566	23,168	23,913	24,111	24,353	24,507	24,517
Brisbane	43,880	48,629	33,690	30,022	23,328	18,364	18,608
Sydney	88,723	93,997	96,392	97,839	99,553	101,133	102,591
TOTAL	157,169	165,794	153,994	151,973	147,234	144,004	145,716
			-2.0%	-1.3%	-3.1%	-2.2%	+1.2%

¹ Forecast annual 2014-15 consumption as at December 2014

Figure 4 – Annual STTM Gas consumption





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1 FEES AND TARIFFS

1.1 National Electricity Market (NEM)

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 electricity consumption relating to LNG production.

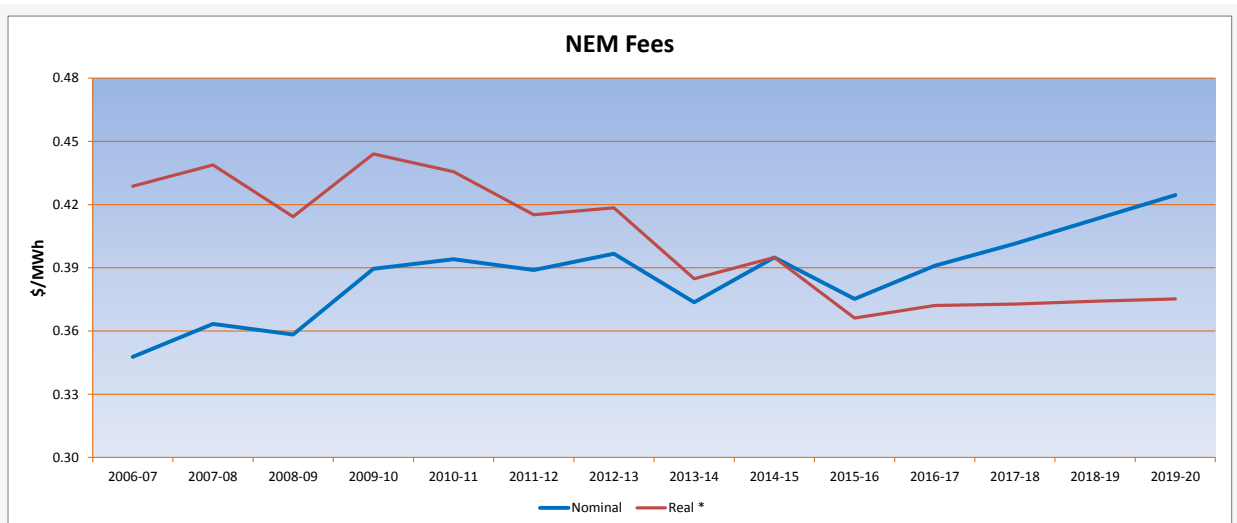
The combination of a budgeted increase in consumption, the reduction in NEM expenditure and a forecast surplus in the current year has allowed the NEM fee to be decreased in 2015-16.

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
	6%	-5.0%	+4.2%	+2.7%	+2.9%	+2.8%

Figure 5 – NEM projected fees



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

1.2 Victorian Electricity Transmission Network Service Provider (TNSP)

Transmission Use of System (TUOS) fees are calculated on an annual break-even basis and are predominately influenced by network charges billed by the Victorian electricity transmission network owners and by estimations of settlement residue receipts.

Commencing 1 July 2015, inter-regional TUOS charges will be introduced and charged as a result of the recent AER rule change. These charges were published by all TNSPs by 15 March. These charges will not impact the total costs recovered by AEMO. Any inter-regional TUOS funds received (or paid) will decrease (or increase) the amount of TUOS fees recovered from Victorian transmission customers.

The TUOS fees are expected to increase by \$10.7M (2%) in 2015-16 primarily due to the introduction of the inter-regional TUOS charges (\$4.9M), lower settlement residue (\$2M) and higher network charges.

To determine the annual TUOS revenue requirement, AusNet Services regulated network charges make up the majority of costs in this function. In 2013-14 the Australian Energy Regulator (AER) approved AusNet Services' revenue determination for the period 1 April 2014 to 31 March 2017.

Table 7 — Projected TUOS Revenue Requirement

Fee	Actual 2014-15 (\$'000)	Budget 2015-16 (\$'000)	Estimate 2016-17 (\$'000)	Estimate 2017-18 (\$'000)	Estimate 2018-19 (\$'000)	Estimate 19-20 (\$'000)
TUOS fees	501,699	512,354	515,647	523,808	TBC	TBC
		+2%	+1%	+2%		



1.3 Full Retail Contestability Electricity

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.

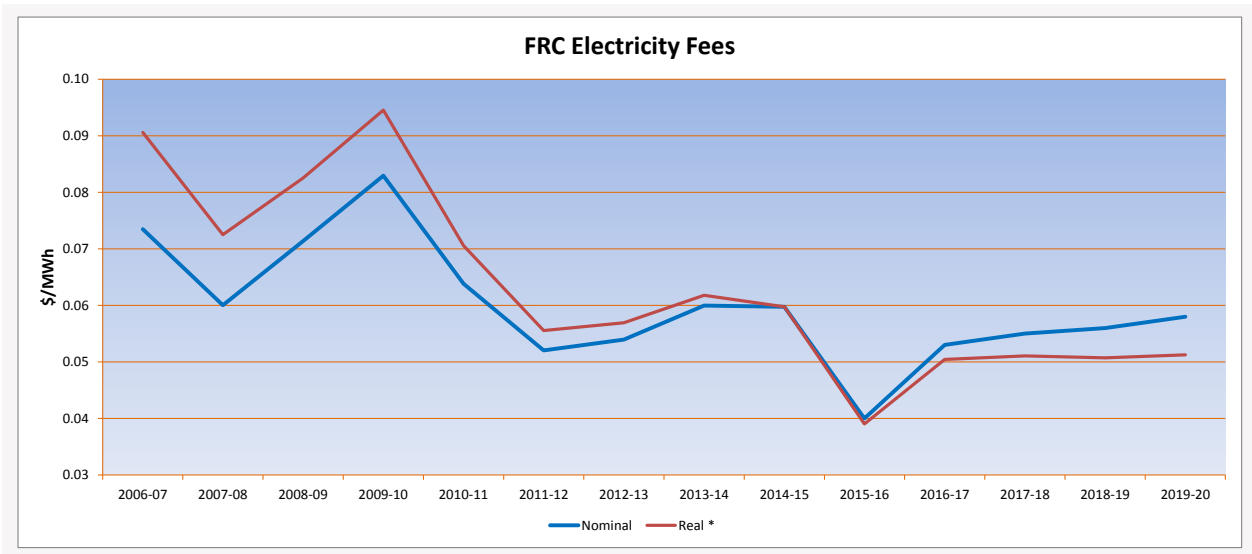
The 2015-16 fee is lower than the \$0.064/MWh estimate provided to stakeholders as part of last year’s budget process, mainly due to a forecast over-recovery of revenue in 2014-15 which is to be returned to participants in 2015-16 by way of a reduced fee.

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 8 — 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 6 – FRC electricity projected fees



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



1.4 National Transmission Planner (NTP)

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. This will result to a higher projected surplus forecast in 2014-15, which will be returned to participants in 2015-16.

Table 9 — 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%

1.5 Victorian Declared Wholesale Gas Market (DWGM)

The DWGM fee is calculated on a 3 year rolling break-even period.

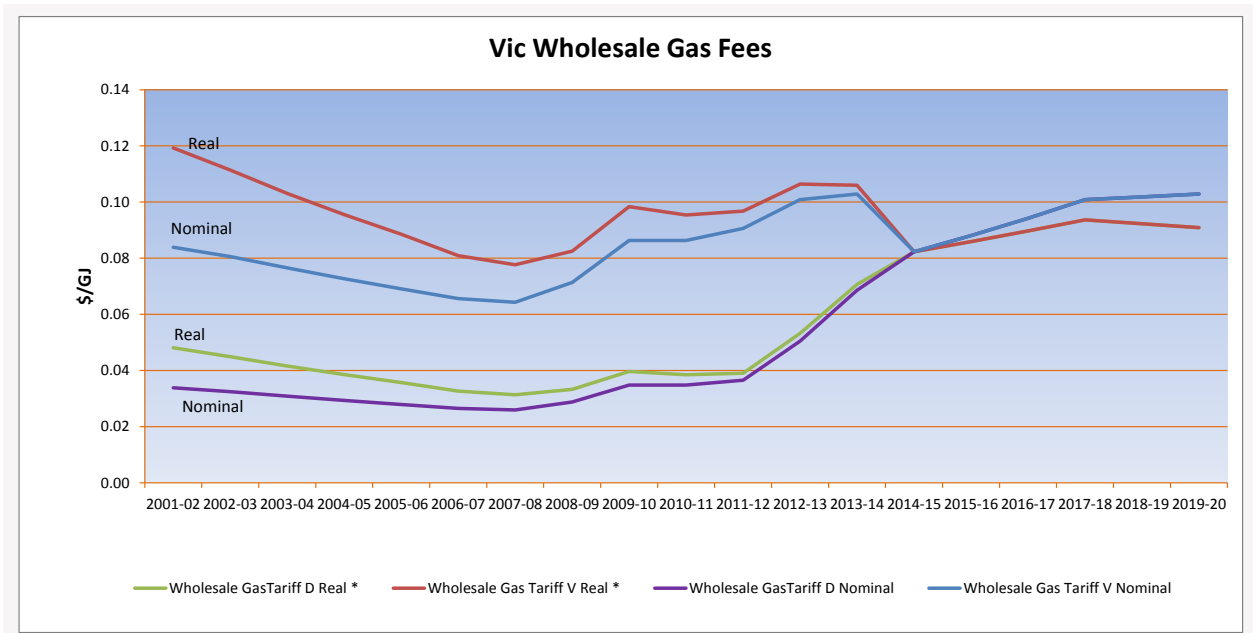
The DWGM fee is increasing by 7% in 2015-16 and is estimated to increase by a further 7% in each of the following 2 years in order to return to a break-even position. This is predominately due to a decrease in forecast consumption, the recovery of a revenue shortfall in 2014-15 caused by a decline in exports to NSW and an increase in expenditure predominantly due to CPI.

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

Table 10 — Summary of DWGM Fees

Fee	Actual 2013/14	Actual 2014/15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
Energy Tariff (\$/GJ)	0.06858	0.08230	0.08806 +7%	0.09422 +7%	0.10082 +7%	0.10183 +1%	0.10285 +1%
Distribution Meter (\$/day per meter)	1.4256	1.4208	1.48740 +5%	1.48940 +0%	1.5128 +2%	1.5452 +2%	1.5915 +3%

Figure 7 – Victorian Wholesale Gas Projected Fees



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

Note: The energy tariff D and V transitioned to a single fee on 1 July 2014.



1.6 Short Term Trading Market (STTM)

The 2015-16 STTM activity fee is slightly lower than the 2014-15 fee and further small reductions are estimated in forward years.

The fixed fee component of the STTM fee has been removed from 2015-16 and for forward years, based on the recent finalisation of structure of participant fees in AEMO’s gas markets commencing on 1 July 2015.

There is no requirement to collect PCF funds for the Sydney, Brisbane and Adelaide hubs as the current level of funds being held for these hubs meets the Rules requirements.

Table 11 — Short Term Trading Market Projected Fees

Fee	Actual 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
Activity Fee (\$/GJ withdrawn)	0.08203	0.08193 -0%	0.08067 -2%	0.07923 -2%	0.07781 -2%	0.07635 -2%
Fixed Fee (\$/day per hub per ABN)	30	0	0	0	0	0

1.7 Victoria FRC Gas

The Victorian FRC fee is calculated on a 3 year rolling break-even period.

The Victorian FRC function is currently holding a surplus due to an over-recovery in prior years.

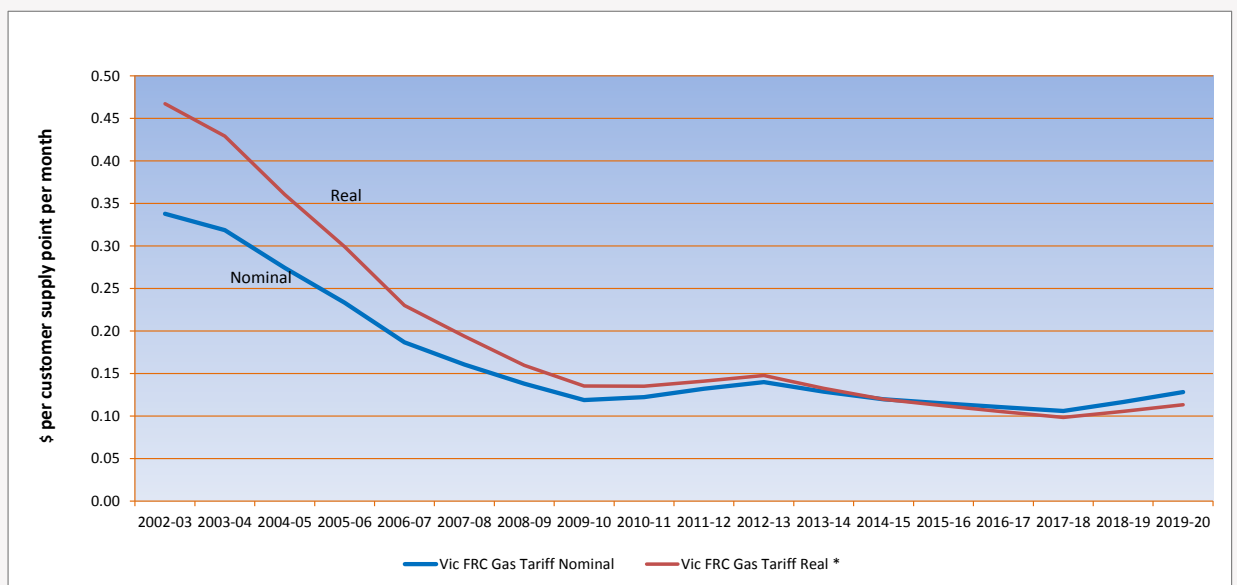
The FRC fee will reduce by approximately 4% in 2015-16 and is estimated to reduce by a further 4% in the following 2 years to reduce the surplus.

The fee is expected to increase in the following years after the surplus is fully returned to achieve a break-even position.

Table 12 — Victorian FRC Gas Projected Fees

Fee	Actual 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
FRC Gas Tariff (\$ per customer supply point per month)	0.11974	0.11495 -4%	0.11035 -4%	0.10594 -4%	0.11653 +10%	0.12818 +10%
Initial Registration Fee (\$ per participant)	5,760	5,000	TBC	TBC	TBC	TBC

Figure 8 – Victorian FRC Gas Projected Fees



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

1.8 Queensland FRC Gas

The Queensland FRC fee is proposed to remain consistent from 2015-16 through to 2017-18 to reduce the surplus.

The Queensland FRC gas fee is calculated on a 3 year rolling break-even period.

This function has a surplus in the current year that limits the impact of any increases on fees for the next 3 years in order to return to a break-even position.

Fees for 2018-19 and 2019-20 are then expected to increase after the surplus is fully returned in order to return to a break-even position.

Table 13 — Queensland FRC Gas Projected Fees

Fee	Actual 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
FRC Fee (\$ per customer supply point per month)	0.30805	0.30805 +0%	0.30805 +0%	0.30805 +0%	0.35426 +15%	0.40740 +15%
Initial Registration Fee (\$ per participant)	5,760	5,000	TBC	TBC	TBC	TBC

1.9 South Australia FRC Gas

The South Australia FRC fee is expected to decrease by 5% in 2015-16 with further decreases in future years as a result of a reduction in the costs of this function.

Table 14 — South Australia FRC Gas Projected Fees

Fee	Actual 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
FRC Fee (\$ per MIRN per month)	0.30728	0.29207 -5%	0.28039 -4%	0.26917 -4%	0.26648 -1%	0.26382 -1%
Initial Registration Fee (\$ per participant)	11,300	10,000	TBC	TBC	TBC	TBC

1.10 NSW FRC Gas

Unlike AEMO's other FRC gas markets, the NSW FRC market does not have a fee per meter charge. NSW FRC fees are predominantly charged on a market share basis and a meter churn basis.

AEMO's costs to provide this service have remained flat for 2015-16 compared to 2014-15 however, will increase from 2016-17 as the gas hub upgrade project and the NSW/ACT retail gas harmonisation project are completed.

Table 15 — NSW FRC Gas Projected Fees

	Actual 2014-15 (\$'000)	Estimate 2015-16 (\$'000)	Estimate 2016-17 (\$'000)	Estimate 2017-18 (\$'000)	Estimate 2018-19 (\$'000)	Estimate 2019-20 (\$'000)
Total Participant Revenue	2,000	2,000	3,000	3,200	3,400	3,400

1.11 Gas Supply Hub

The gas supply hub voluntary market went live in March 2014.

The fees have been set at \$0.03/GJ for day ahead and on the day products, and \$0.02/GJ for the weekly products. This is no change to 2014-15 fees.

Trade volumes are forecast to increase from 2016 as LNG exports increase.

Table 16 — Gas Supply Hub Fees

Fee		Budget 2015-16	Actual 2014-15
Trading participants	Fixed Fee - one licence per annum	14,500	14,500
	Fixed Fee - additional licence per annum	5,500	5,500
	Variable transaction fee		
	- Daily product fee (\$/GJ)	0.03	0.03
	- Weekly product fee (\$/GJ)	0.02	0.02
	- Monthly product fee (\$/GJ)	0.01	0.01
Reallocation participants	Fixed fee per annum	9,000	9,000
Viewing participants	Fixed fee per annum	5,500	5,500

1.12 Gas Bulletin Board

In 2014-15, the gas bulletin board function has undergone its first major re-development since inception under direction by the Council of Australian Governments (COAG) Energy Council and support from industry. The new site went live in December 2014 as scheduled, whilst also exceeding COAG requirements.

This project delivered improved graphical interface, data retrieval and upload functionality.

Whilst historically gas bulletin board base costs have been low, the impact of the re-development project costs, on-going maintenance of the site, and the proposed further developments to include LNG information and capacity trading will result in increases in costs for this function. AEMO is currently actively engaging with stakeholders on these further developments.

Table 17 — Gas Bulletin Board budget

Key Fees	Budget 2015-16 (\$'000)	Actual 2014-15 (\$'000)
Gas Bulletin Board	1,441	471

1.13 Gas Statement of Opportunities (GSOO)

The GSOO costs are recovered via charges to retailers in AEMO's FRC gas markets on a fee per meter basis.

Costs for this function have increased due to work on the National Gas Forecasting Report.

There is no change in the 2015-16 fee due to an over-recovery from prior years. Fees are expected to increase in future years to return to a break-even position.

Table 18 — Gas Statement of Opportunities Projected Fees

Fee	Actual 2014-15	Budget 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
Gas Statement of Opportunities (\$ per customer supply point per month)	0.02830	0.02830 +0%	0.03255 +15%	0.03743 +15%	0.04117 +10%	0.04529 +10%

1.14 Other Budgeted Revenue Requirements

AEMO also collects revenue to recover the costs of the following functions:

Table 19 — Other Revenue Requirements

Key Fees	Budget 2015-16 (\$'000)	Actual 2014-15 (\$'000)
South Australia Planning	1,000	1,000
Settlement Residue Auctions	253	275

1.15 Energy Consumers Australia (ECA) fees

In May 2014 the Council of Australian Governments (COAG) Energy Council approved the establishment of Energy Consumers Australia (ECA) and the budget 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 the Consumer Advocacy Panel (CAP) fee.

The commencement date of the ECA was 30 January 2015.

The below table reflects the fees to be collected for the electricity and gas components for 2015-16.

Table 20 — Energy Consumers Australia (ECA) requirements

ECA Fees	Budget 2015-16	Actual 2014-15
Electricity (\$ / connection point for small customers / week)	0.00976 11%	0.00881
Gas (\$ / customer supply point / month)	0.03114 4%	0.02998

2 AEMO FINANCIALS

2.1 Financials

Table 21 — Consolidated Profit and Loss 2015-16

Annual	AEMO (excluding Vic TNSP)				Victorian TNSP				Total AEMO			
	Budget 2014-15	Forecast 2014-15	Budget 2015-16	Variance to Budget	Budget 2014-15	Forecast 2014-15	Budget 2015-16	Variance to Budget	Budget 2014-15	Forecast 2014-15	Budget 2015-16	Variance to Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE												
Fees and Tariffs	124,364	124,494	121,399	(2,965)	-	-	-	-	124,364	124,494	121,399	(2,965)
TUoS Income	-	-	-	-	501,699	500,062	512,354	10,655	501,699	500,062	512,354	10,655
PCF Fees	115	115	-	(115)	-	-	-	-	115	115	-	(115)
Settlement Residue	-	-	-	-	30,792	27,730	28,693	(2,099)	30,792	27,730	28,693	(2,099)
Other Revenue	4,489	4,296	4,487	(2)	24,880	23,629	23,718	(1,162)	29,369	27,925	28,205	(1,164)
TOTAL REVENUE	128,968	128,906	125,885	(3,082)	557,372	551,420	564,766	7,394	686,339	680,326	690,651	4,311
NETWORK CHARGES												
	-	-	-	-	540,843	543,810	549,920	9,077	540,843	543,810	549,920	9,077
NET REVENUE	128,968	128,906	125,885	(3,082)	16,528	7,610	14,845	(1,683)	145,496	136,516	140,731	(4,765)
EXPENDITURE												
Total Labour~	82,521	81,261	82,866	345	5,262	4,869	3,996	(1,265)	87,783	86,129	86,863	(920)
Contractors	614	986	351	(263)	100	-	-	(100)	714	986	351	(363)
Consulting	7,219	5,054	5,809	(1,410)	831	787	596	(235)	8,049	5,841	6,405	(1,644)
Fees-Agency, Licence and Audit	1,706	1,713	1,757	51	-	-	-	-	1,706	1,713	1,757	51
Information Technology and Telecommunication	14,752	14,339	16,557	1,806	-	-	0	0	14,752	14,339	16,558	1,806
Occupancy	5,065	4,793	5,158	92	-	-	-	-	5,065	4,793	5,158	92
Training & Recruitment	1,731	1,301	1,617	(114)	47	47	36	(12)	1,778	1,348	1,653	(125)
Travel & Accommodation	1,879	1,942	1,686	(193)	70	34	64	(6)	1,949	1,976	1,750	(200)
Other Expenses from Ordinary Activities	6,533	6,208	6,568	35	13	13	12	(2)	6,546	6,221	6,580	34
TOTAL EXPENDITURE (excl Financing & Depreciation)	122,020	117,596	122,370	350	6,323	5,750	4,704	(1,620)	128,343	123,346	127,073	(1,270)
Depreciation and Amortisation	14,386	14,334	14,706	321	42	43	38	(5)	14,428	14,377	14,744	316
Financing Costs	2,024	2,122	1,705	(319)	-	-	-	-	2,024	2,122	1,705	(319)
Capitalised internal labour	(3,367)	(2,545)	(2,326)	1,040	(23)	(15)	-	23	(3,390)	(2,560)	(2,326)	1,063
TOTAL OPERATING EXPENDITURE	135,063	131,507	136,455	1,392	6,342	5,778	4,741	(1,601)	141,405	137,285	141,196	(209)
SURPLUS / (DEFICIT)	(6,095)	(2,602)	(10,570)	(4,474)	10,186	1,832	10,104	(82)	4,091	(769)	(465)	(4,556)
Transfer to Reserves / Recoveries	4,072	3,748	2,996	(1,076)	(4,530)	(4,206)	(3,554)	976	(458)	(458)	(558)	(100)
Brought Forward Surplus / (Deficit)	11,728	14,667	15,813	4,085	(5,493)	(3,703)	(6,077)	(584)	6,235	10,964	9,736	3,502
ACCUMULATED SURPLUS / (DEFICIT)	9,705	15,813	8,240	(1,465)	163	(6,077)	473	310	9,867	9,736	8,713	(1,155)
Contributed capital relating to Vic Wholesale gas market	(8,704)	(8,704)	(8,704)	-	-	-	-	-	(8,704)	(8,704)	(8,704)	-
ADJUSTED ACCUMULATED SURPLUS / (DEFICIT)	1,002	7,109	(464)	(1,465)	163	(6,077)	473	310	1,164	1,033	9	(1,155)

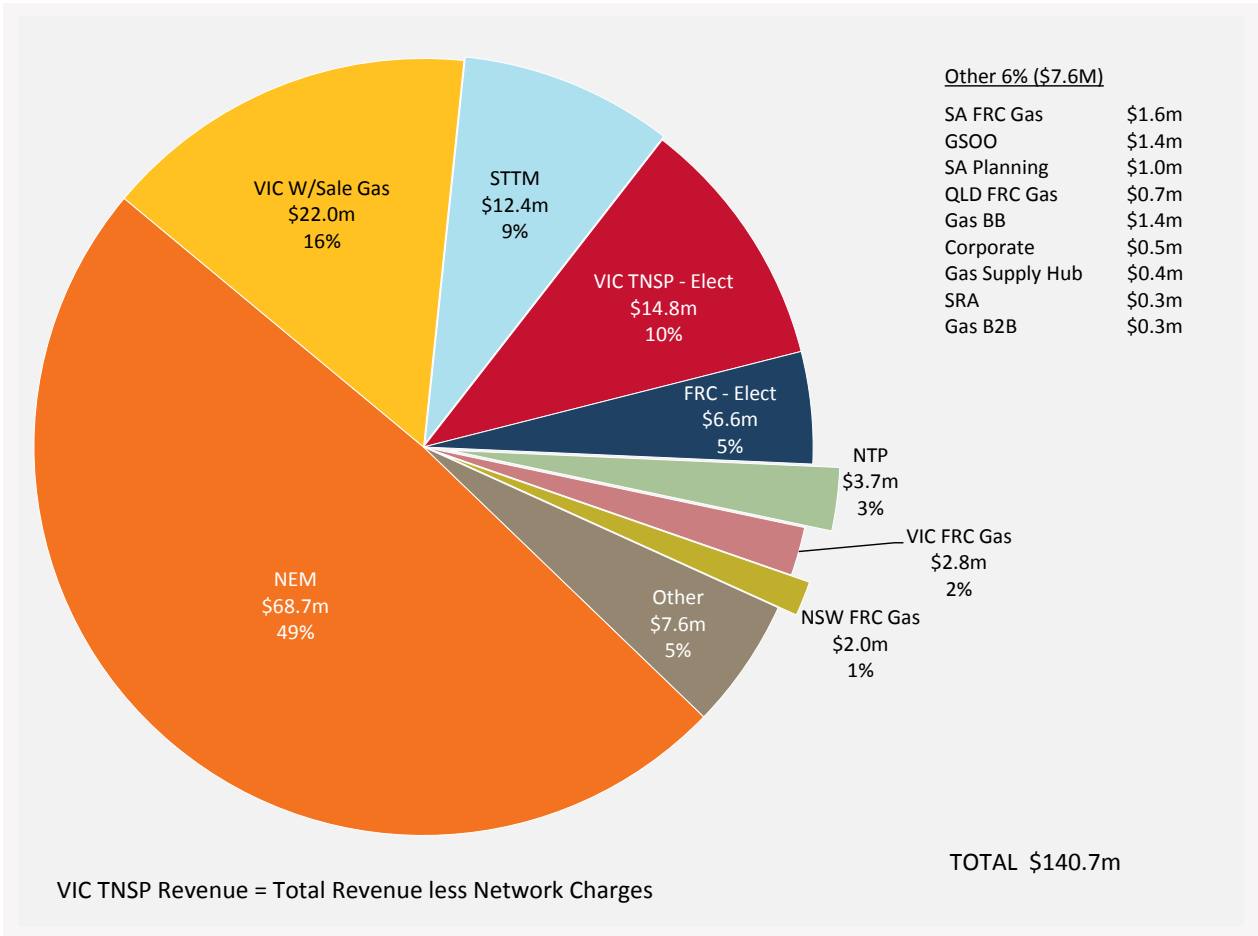
~ Total Labour includes both opex and capex labour.

Note the Budget 2015-16 accumulated surplus includes \$8.7M of contributed capital relating to the Vic Wholesale Gas market.



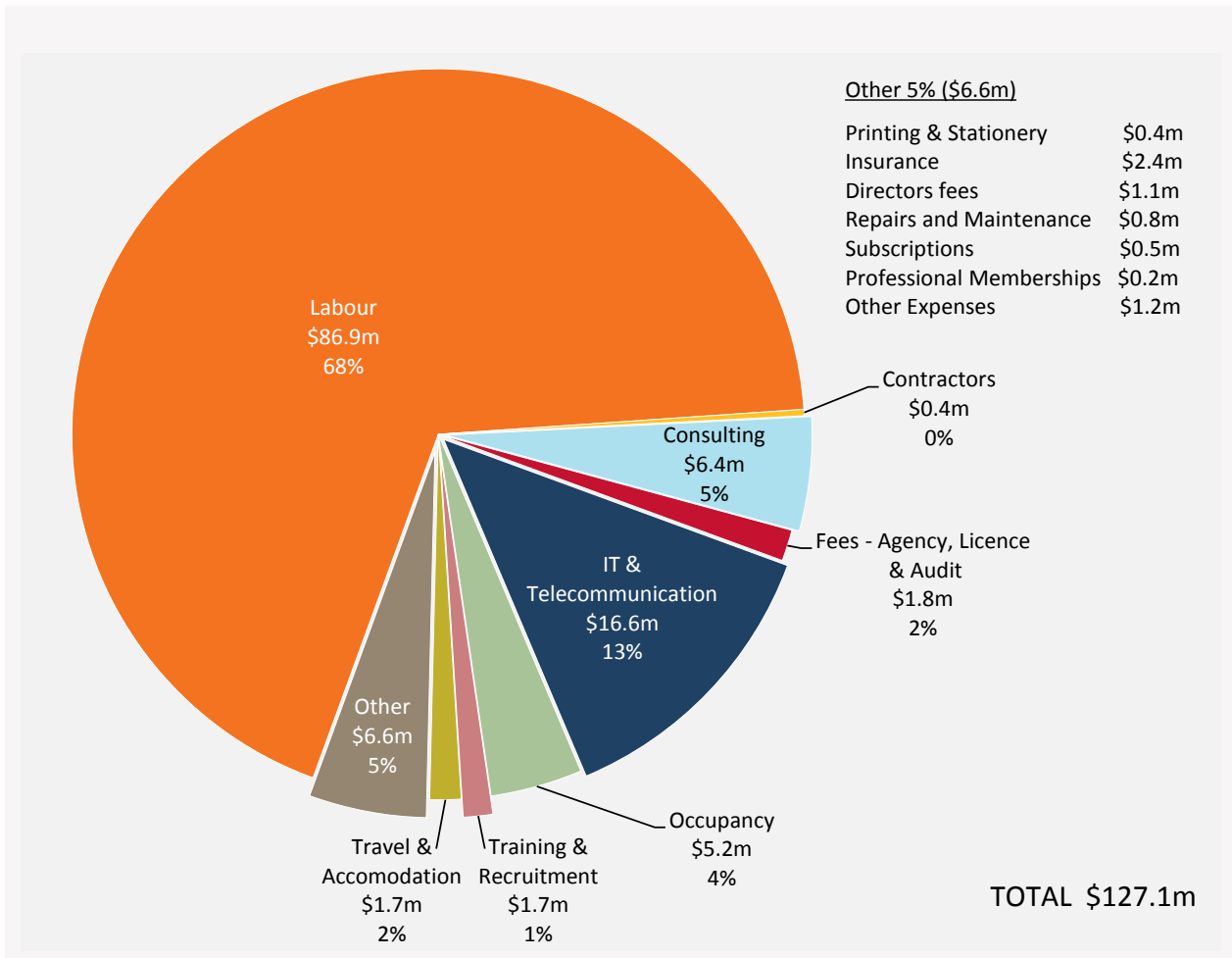
2.2 Net Revenue

Figure 9 – Net revenue by function



2.3 Expenditure

Figure 10 – Total expenditure by category (excluding depreciation and finance costs)



2.3.1 Expenditure commentary

Total budgeted expenditure (excluding financing costs and depreciation) is \$127.1M.

This is a decrease of \$1.3M (-1%) from the 2014-15 budgeted expenditure.

Key points are:

- **Labour costs**

Labour costs are budgeted to decrease by \$1.0M (1%) compared with the 2014-15 budget.

Key points and assumptions:

- The number of budgeted full time positions for 2015-16 is 497.
- A provision has been made for increases for staff and increases for those employed under a common law contract.
- A vacancy allowance of 2.7% (2014-15: 3.0%) has been provisioned. The provision has the effect of reducing the labour costs to allow for the time lag in filling vacant positions during the year.

- **Contractor costs**

Contractor costs are budgeted to decrease by \$0.4M (51%) compared to the 2014-15 budget. Key costs for 2015-16 include:

- Emergency management operations support (\$0.1M)
- 5 vacation students (\$0.1M)
- People and culture development programs – culture, leadership, competency and skills (\$0.1M)

- **Consulting costs**

Consulting costs are budgeted to decrease by \$1.6M (20%) compared to the 2014-15 budget.

The major consulting items in the 2015-16 budget include:

- Alumni, remuneration benchmarking, staff development programs (\$0.4M)
- IT security testing (\$0.4M)
- Economic Outlook for the NEM (\$0.3M)
- Electricity value of customer reliability project (\$0.2M)
- Electricity connection point forecasting (\$0.2M)
- National Energy Forecast Report (\$0.2M)
- National Gas Forecast Report (\$0.2M)

- **Fees – Agency Licence and Audit**

Agency, license and audit fees are budgeted to increase by \$0.05m (3%) compared to the 2014-15 budget predominantly due to an allowance for CPI increases.

- **IT & Telecommunications**

IT and Telecommunication costs are budgeted to increase by \$1.8M (12%) compared to the 2014-15 budget

Key changes relate to:

- Brisbane data centre project operational costs (\$1.0M) that includes annual rack rental costs and one-off network bridging links;
- New IT Support contracts in 2015-16 (\$0.8M). This comprises of:
 - ⇒ Gas Bulletin Board hosting costs (\$0.2M);
 - ⇒ Gas B2B gas hub Software AG – Webmethods maintenance (\$0.5M)
 - ⇒ Gas hub project SQL maintenance (\$0.1M)

- **Occupancy**

Occupancy costs are budgeted to increase by \$0.1M (2%) compared to the 2014-15 budget mainly due to CPI increases for office leases.

- **Other Expenses**

Training and Recruitment, Travel and Accommodation are budgeted to be lower than 2014-15 budget. Other expenses are closely aligned to the 2014-15 budget.

- **Financing costs**

Financing costs are budgeted to decrease by \$0.3M (16%) compared to the 2014-15 budget mainly due to:

- Lower interest paid on the STTM and Norwest loans as the principal outstanding reduces by \$6M.



– Savings as a result of refinancing the facility limit from \$100m to \$75m in 2014-15.

- **Depreciation costs**

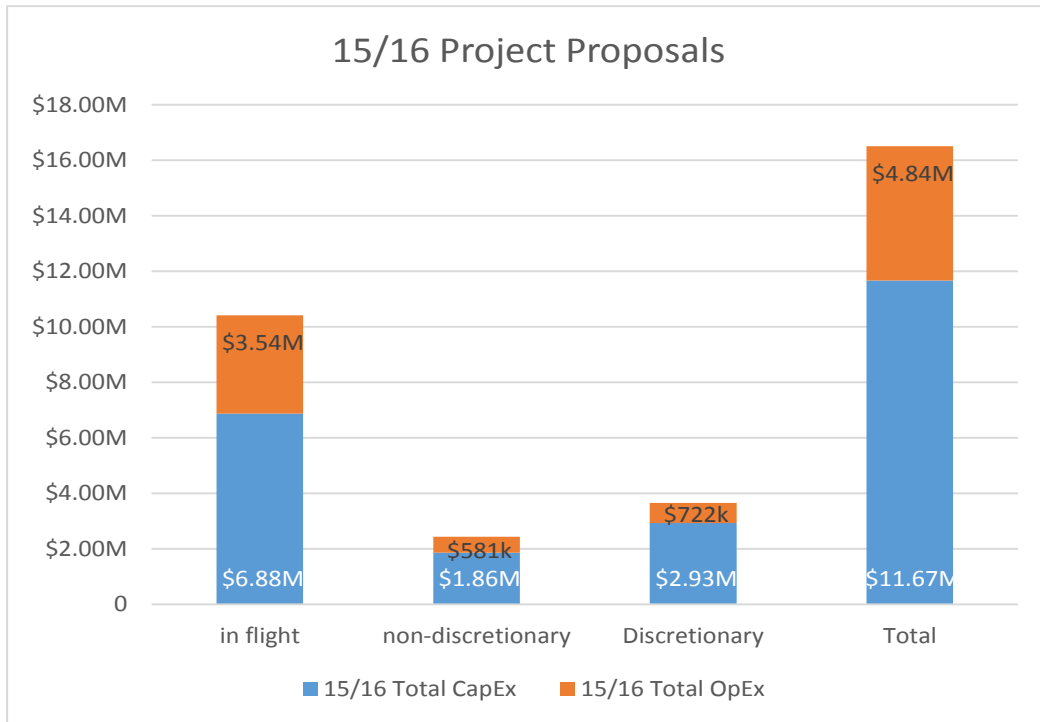
Depreciation costs are closely aligned to the 2014-15 budget.

2.4 Project Expenditure

- **High Level Costings**

The proposed projects can be delivered with an investment of \$11.7M capital expenditure and \$4.8M operational expenditure.

Figure 11 – Project expenditure 2015-16



The total budget is less than last year, and the investment in discretionary projects is small.

In-Flight projects include:

- Brisbane Facilities Program
- NSW ACT Gas Market Implementation
- Automating Mvar dispatch scheduler

Non-discretionary projects include:

- Projects supporting the Brisbane Facilities programme
- Renewals
- Regulatory projects
- Software upgrades required for supportability.

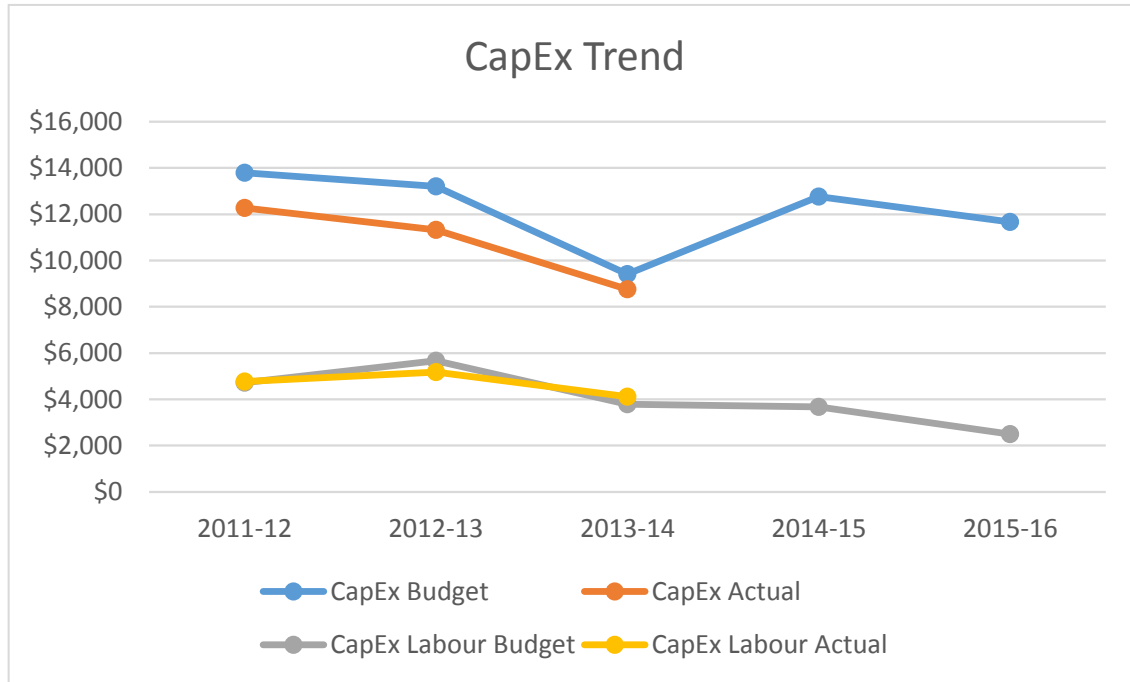
Discretionary projects include:

- Information Management Platform projects
- AEMO External Website project
- Further development of Gas Bulletin Board
- Moomba Gas Supply Hub

• **Capital Expenditure Budget Trend**

There is a flattening trend for total capital expenditure with rising external spend and falling internal labour

Figure 12 – Capital expenditure trend



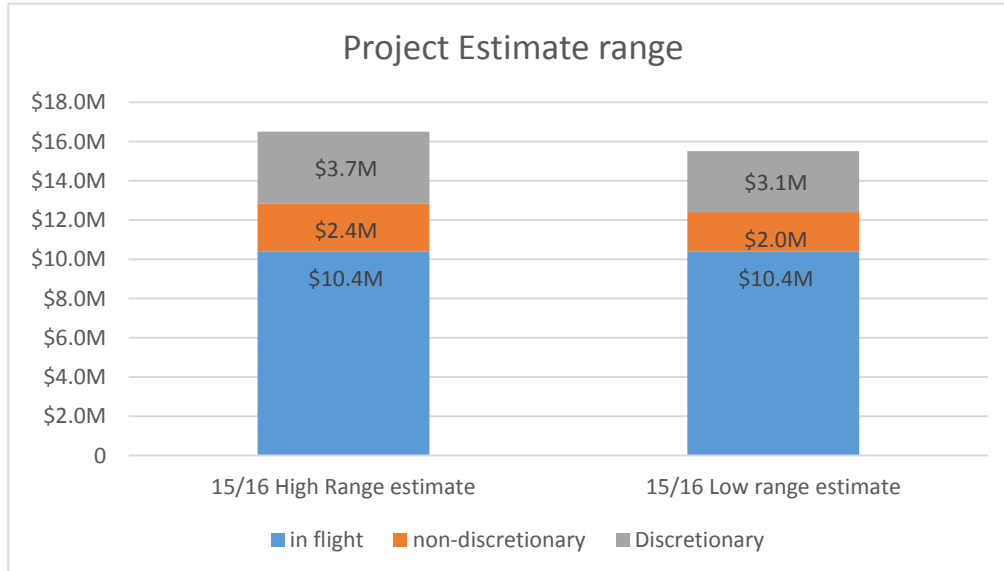
- The rise in external spend is due to:
 - Brisbane Facilities Programme (\$3.9M)
 - MVar Scheduling Project (\$1.4M)
 - NSW/ACT retail gas project (\$1.4M).
- The downward trend in capital expenditure labour is due to internal development projects being displaced by large projects with greater priority and non-capital expenditure labour resourcing.

For example, the Brisbane Facilities program has displaced IT System Releases in late 2015.

- **Estimation Range**

The total investment is expected to be between \$15M and \$16M

Figure 13 – Project estimate range 2015-16



- High and Low range estimates have been developed for new projects (not in-flight) to reflect the uncertainty in project budgets prior to detailed analysis and planning.
- The higher figure is used in the budget request to avoid overcommitting projects.
- Estimates will be revised during the Planning Stage when requirements, solutions, resourcing and schedules are understood in more detail.

2.5 Balance Sheet 2015-16

Table 22 — Balance Sheet 2015-16

	Forecast 2014-15 \$'000	Budget 2015-16 \$'000	Variance Budget 2015-16 to Forecast 2014-15	
			\$'000	%
ASSETS				
Current Assets				
Cash and Short Term Deposits	25,816	22,960	(2,856)	-12%
Receivables	63,027	65,839	2,811	+4%
Other Current Assets	3,308	4,289	980	+23%
Total Current Assets	92,152	93,087	935	+1%
Non - Current Assets				
Intangible Assets - Software	29,054	25,776	(3,278)	-13%
Property, Plant and Equipment	27,782	27,883	100	+0%
Total Non Current Assets	56,836	53,659	(3,178)	-6%
TOTAL ASSETS	148,988	146,746	(2,242)	-2%
LIABILITIES				
Current Liabilities				
Payables	57,604	57,786	182	+0%
Borrowings	5,357	5,357	-	+0%
Provisions	19,632	20,142	510	+3%
Other Current Liabilities	10,231	11,631	1,400	+12%
Total Current Liabilities	92,824	94,916	2,092	+2%
Non - Current Liabilities				
Borrowings	22,838	17,542	(5,296)	-30%
Provisions	2,163	2,313	150	+6%
Lease Liability	2,032	3,309	1,277	+39%
Total Non Current Liabilities	27,033	23,164	(3,869)	-17%
TOTAL LIABILITIES	119,857	118,080	(1,777)	-2%
NET ASSETS / (LIABILITIES)	29,131	28,666	(465)	
EQUITY				
Capital contribution	7,093	7,093	-	+0%
Participant compensation fund reserve	10,263	10,594	332	+3%
Land reserve	2,039	2,266	227	+10%
Accumulated surplus/(deficit)	9,736	8,713	(1,023)	-12%
TOTAL EQUITY	29,131	28,666	(465)	

2.6 Cash Flow Statement 2015-16

Table 23 — Cash Flow 2015-16

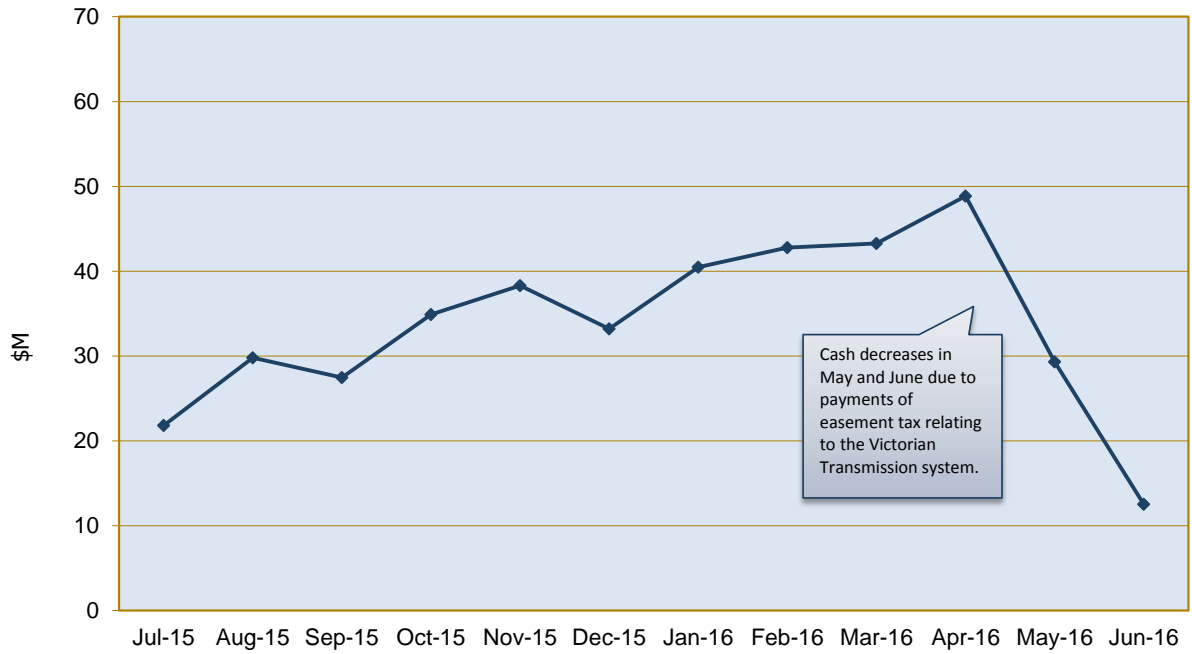
	Budget 2015-16 \$'000
Cash flows from operating activities	
Receipts	
Receipts from customers (inclusive of GST)	749,148
Interest received	1,569
Total Receipts	750,717
Payments	
Payments to suppliers and employees (inclusive of GST)	(733,921)
Interest and other costs of finance paid	(2,020)
Total Payments	(735,940)
Net cash provided by operating activities	14,776
Cash flows from investing activities	
Payments for non-financial assets	(12,336)
Net cash used in investing activities	(12,336)
Cash flows from financing activities	
Proceeds from borrowings	-
Repayments of borrowings	(5,296)
Net cash used in financing activities	(5,296)
Net increase in cash held	(2,856)
Cash at the beginning of the period (including PCF) at 1 July 2015	25,816
Cash at the End of Period (including PCF) at 30 June 2016	22,960
Less: PCF Funds	(10,430)
Cash at the End of Period (excluding PCF) at 30 June 2016	12,530



The figure below reflects the monthly expected cash balance (excluding PCFs) for 2015-16.

No new borrowings are budgeted for 2015-16.

Figure 14 – Expected closing cash balance (excluding PCF) for 2015-16





LIST OF SYMBOLS AND ABBREVIATIONS

Term	Definition
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
B2B	Business-to-Business
COAG	Council of Australian Governments
DWGM	Declared Wholesale Gas Market
ECA	Energy Consumers Australia
FRC	Full Retail Contestability
GJ	Gigajoule
GPG	Gas Powered Generation
GSH	Gas Supply Hub
GSOO	Gas Statement of Opportunities
ESOO	Electricity Statement of Opportunities
LNG	Liquefied Natural Gas
MOS	Market Operator Service
MCE	Ministerial Council on Energy
MWh	Megawatt Hour
NA	Not Applicable
NEFR	National Electricity Forecast Report
NEM	National Electricity Market
NER	National Electricity Rules
NGFR	National Gas Forecasting Report
NGR	National Gas Rules
NTP	National Transmission Planner
PCF	Participant Compensation Fund
STTM	Short Term Trading Market
TJ	Terajoule
TNSP	Transmission Network Service Provider
TUOS	Transmission Use of System

APPENDIX 1 – ELECTRICITY 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



Electricity Schedule of 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.

APPENDIX 2 – GAS MARKET FEE SCHEDULE

Market	Rate ¹	Basis
Vic Wholesale Gas		
Energy Tariff	0.08806	\$/GJ withdrawn
Distribution Meter	1.48740	\$/day per meter
PCF Fee	Nil	\$/GJ
VIC Gas FRC	0.11495	\$ per customer supply point/mth
QLD Gas FRC	0.30805	\$ per customer supply point/mth
SA Gas FRC	0.29207	\$ per MIRN per month
NSW FRC Gas		Total participant revenue (\$2M)
STTM		
Activity Fee	0.08193	\$/GJ withdrawn
PCF Fee - Syd	Nil	\$/GJ withdrawn per hub per ABN
PCF Fee - Adel	Nil	\$/GJ withdrawn per hub per ABN
PCF Fee - Bris	Nil	\$/GJ withdrawn per hub per ABN
Energy Consumers Australia	0.03114	\$ per customer supply point/mth
GSOO	0.02830	\$ per customer supply point/mth
Additional Participant ID	5,000	\$ per additional participant ID

[1] All fees and rates are exclusive of GST

Gas Supply Hub Fee Schedule

Fee		Budget 2015-16	Actual 2014-15
Trading participants	Fixed Fee - one licence per annum	14,500	14,500
	Fixed Fee - additional licence per annum	5,500	5,500
	Variable transaction fee		
	- Daily product fee (\$/GJ)	0.03	0.03
	- Weekly product fee (\$/GJ)	0.02	0.02
	- Monthly product fee (\$/GJ)	0.01	0.01
Reallocation participants	Fixed fee per annum	9,000	9,000
Viewing participants	Fixed fee per annum	5,500	5,500



Gas Market Schedule of Registration Fees

Market	Rate ¹ 2015-16	Basis
Victoria FRC Gas	5,760	\$ per participant
QLD FRC Gas	5,760	\$ per participant
SA FRC Gas	11,300	\$ per participant
NSW FRC Gas	N/A	N/A
Victoria Wholesale Gas	N/A	N/A
STTM	N/A	N/A

[1] All fees and rates are exclusive of GST