

Structure of Gas Participant Fees

August 2023

Consultation Paper





Important notice

Purpose

AEMO consults on its proposed fee structure for participant fees, exchange fees and auction fees in accordance with the standard consultative procedure under clause 135CA(3) of the National Gas Rules (Rules).

This document has effect only for the purposes set out in the Rules, and the Rules and the National Gas Law (Law) prevail over this document to the extent of any inconsistency.

This publication has been prepared by AEMO using information available at 4 August 2023.

Disclaimer

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Version control

Version	Release date	Changes
#1	4 August 2023	

Executive summary

The publication of this Consultation Paper commences the first stage of the Rules consultation process conducted by AEMO to determine the terms and fee structures to apply to gas Participant Fees, the Pipeline Capacity Trading (PCT) Exchange Fees and Auction Fees from 1 July 2024.

The current structure for Participant Fees as well as PCT services (comprising Exchange Fees and Auction Fees) came into effect on 1 July 2021 and expire on 30 June 2024. The two sets of fee structures are being considered in parallel through this consultation process given the alignment in end dates, requirement to consult in accordance with the extended consultative procedure under the National Gas Rules (NGR), and several minor interdependencies.


Additionally, on 12 August 2022 Energy Ministers agreed to take a range of actions to support a more secure, resilient and flexible east coast gas market and as a result, in order for AEMO to exercise or perform its east coast gas system reliability and supply adequacy function.

AEMO's exercise or performance of its east coast gas system reliability and supply adequacy function (East Coast Gas System (ECGS) Reform Program) was defined as a major gas project at the time of commencement of the *National Gas (South Australia) (East Coast Gas System) Amendment Act 2023* (Amendment Act), in accordance with clause 135CB of the Rules, thus allowing AEMO to consult and determine a participant fee to recover the costs of the project until the next general determination of participant fees. As part of this amendment, AEMO may consult in accordance with the expedited consultative procedure under clause 135CB(2A) of the Rules. However, given the timing of commencement of the Amendment Act in April 2023, and the commencement of consultation on the fee structures for Participant Fees, Exchange Fees and Auction Fees AEMO has elected to combine the two consultations into one.

Subsequently, the publication of this Consultation Paper commences the first stage of the Rules consultation process conducted by AEMO to determine the terms and fee structures to apply to ECGS Reform Program fees including the structure of the fee, whom will be charged the fee and the start date for recovery and the period or periods over which recovery will occur.

Table 1 – Scope of Gas Participant Fee Structure consultation

Fee Type	Scope
Gas Participant Fees	<ul style="list-style-type: none">• Declared Wholesale Gas Market (DWGM)• Short Term Trading Market (STTM)• Retail markets (VIC, NSW/ACT, QLD and SA)• Gas Bulletin Board (GBB)• Gas Statement of Opportunities (GSOO)• Energy Consumers Australia (ECA) Fees
Pipeline Capacity Trading Exchange Fees and Auction Fees	<ul style="list-style-type: none">• Capacity trading platform (CTP)• Day-ahead auction (DAA)• Registration fee (CTP and DAA)• Operational Transportation Service (OTS) Code Panel



Fee Type	Scope
East Coast Gas System Reform Program Fees	<ul style="list-style-type: none">• New to be determined as part of this consultation

AEMO notes that fee structures for the following services are out of scope for this consultation:

- Gas Supply Hub (GSH)
- Western Australia Full Retail Contestability (FRC) Gas Market
- Western Australia Gas Services Information (GSI).

Stakeholders are invited to submit written responses on AEMO's proposed approach for matters identified in this Consultation Paper by 5.00 pm (Australian Eastern Daylight Time [AEDT]) on **Friday 25 August 2023**, in accordance with the Notice of First Stage of Consultation published with this paper.

Matters for consultation

AEMO seeks stakeholder feedback on how existing gas participant fees, and PCT Exchange Fees and Auction Fees structures could be improved to better balance Fee Structure Principles to address any emergent market trends, regulatory reforms or stakeholder-identified issues.

Further, this Consultation Paper also sets out cost recovery options for AEMO's new gas system reliability and supply adequacy functions across the east coast gas market (East Coast Gas System Reform Program). Stakeholders are also invited to identify other fee structure options to recover these costs.

Fee Structure Principles

In determining the structure of Participant fees, AEMO must have regard to:

- The National Gas Objective (NGO)
- The principles that the fee structure should be:
 - Simple
 - Cost reflective
 - Non-discriminatory
 - In accordance with Part 27 of the NGR
- Other comparable fee structures

AEMO may manage revenue excess or shortfalls through allocation in later years and may implement measures to smooth cost variation impacts.

Question 1 – Gas fee structure term

- a. Is a three-year term appropriate for this gas fee structure determination?
- b. Is a three-year rolling period to recover costs appropriate?

Question 2 – Registration fees

Do stakeholders agree that the current approach for Registration fees is appropriate? If not, what are the alternative approaches that should be considered?

Question 3 – PCT fees – transportation services and recovery via other markets

Do stakeholders agree that the current approach for PCT fees should be maintained? If not, what are the alternative approaches that should be considered?

Question 4 – GSOO fees – application to participants

Do stakeholders agree that the current approach for GSOO fees should be maintained? If not, what are the changes that should be considered?

Question 5 – Retail market fees – aggregation

AEMO is interested in whether there is any appetite to change the approach for gas retail market fees for the forthcoming term?

Question 6 – Gas Bulletin Board fee structure

Do stakeholders agree that the current approach for GBB fees should be maintained? If not, what other arrangements should be considered?

Question 7 – ECGS Reform Program

- a. Which of the options AEMO has presented would be an appropriate fee structure for the ECGS Reform Program?
- b. Are there other options that should be considered?



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1 Consultation overview

The Australian Energy Market Operator Limited (AEMO) invites stakeholders to provide a submission on the fee structures to apply to gas participant fees, Pipeline Capacity Trading (PCT) Exchange Fees and Auction Fees, and East Coast Gas System Reform Program fees from 1 July 2024. Through this process AEMO seeks opportunities to improve fee structures and respond to emergent issues.

This consultation only applies to the structure of fees considered. The actual amount charged for each fee is determined on an annual basis via the AEMO budgeting process.

1.1 Key Information for the consultation

Purpose	To provide stakeholders with the opportunity to have input into the development of the structure of gas Participant fees													
Date applicable	To be determined in this consultation													
Gas functions covered in this consultation	<ul style="list-style-type: none"> • Declared Wholesale Gas Market (DWGM) • Short Term Trading Market (STTM) • Retail markets (VIC, NSW/ACT, QLD, SA) • Gas Bulletin Board (GBB) • Gas Statement of Opportunities (GSOO) • Energy Consumers Australia (ECA) Fees • Pipeline Capacity Trading (PCT) fees <ul style="list-style-type: none"> - Capacity trading platform (CTP) - Day-ahead auction (DAA) - Registration fee (CTP and DAA) - Operational Transportation Service (OTS) Code Panel • East Coast Gas System (ECGS) Reform Program Fees 													
Timetable	<table border="1"> <thead> <tr> <th>Milestone</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Submission closing date for this Consultation Paper</td> <td>Friday 25 August 2023</td> </tr> <tr> <td>Publication of Draft Report</td> <td>Friday 22 September 2023</td> </tr> <tr> <td>Submission closing date for Draft Report</td> <td>Friday 13 October 2023</td> </tr> <tr> <td>Publication of Final Report</td> <td>Friday 10 November 2023</td> </tr> <tr> <td>Fee structure commencement</td> <td>Monday 1 July 2024</td> </tr> </tbody> </table> <p>Subject to stakeholder feedback additional stages may be included as part of the consultation process.</p>		Milestone	Date	Submission closing date for this Consultation Paper	Friday 25 August 2023	Publication of Draft Report	Friday 22 September 2023	Submission closing date for Draft Report	Friday 13 October 2023	Publication of Final Report	Friday 10 November 2023	Fee structure commencement	Monday 1 July 2024
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Fee structure commencement	Monday 1 July 2024													
Meetings	Stakeholders may request a meeting in their submission. Matters discussed at a meeting may be made available to other stakeholders.													
Submissions closing date and information	<p>AEMO prefers that submissions be forwarded in electronic format (both pdf and Word) as they will be published on the AEMO website.</p> <p>Please provide electronic submissions by 5.00pm AEDT Friday 25 August 2023 to reformdevelopmentandinsights@aemo.com.au.</p> <p>AEMO plans to publish all submissions on its website. Please identify any part of your submission that is confidential, and you do not wish to be published.</p>													

Respondents should also note that if material identified as confidential cannot be shared and validated with other stakeholders then it may be accorded less weight in AEMO's decision making process than published material.

1.2 Guiding principles for the Gas markets fee structure

AEMO consults on its proposed fee structure for Participant Fees, PCT Exchange Fees and Auction Fees in accordance with the standard consultative procedure under clause 135CA(3) of the National Gas Rules (NGR, Rules), and under these Rules, AEMO has the power to recover market fees from registered participants including auction participants and gas trading exchange members, as well as those participants covered under clause 135CA(4)(b)(iia) for the East Coast Gas System Reform Program.

AEMO's exercise or performance of its east coast gas system reliability and supply adequacy function (East Coast Gas System (ECGS) Reform Program) was defined as a major gas project at the time of commencement of the *National Gas (South Australia) (East Coast Gas System) Amendment Act 2023* (Amendment Act), in accordance with clause 135CB of the Rules, thus allowing AEMO to consult and determine a participant fee to recover the costs of the project until the next general determination of participant fees. As part of this amendment, AEMO may consult in accordance with the expedited consultative procedure under clause 135CB(2A) of the Rules. However, given the timing of commencement of the Amendment Act in April 2023, and the commencement of consultation on the fee structures for Participant Fees, PCT Exchange Fees and Auction Fees AEMO has elected to combine the two consultations into one.

In determining the structure of Participant Fees, PCT Exchange Fees and Auction Fees, and ECGS Reform Program Fees, AEMO must have regard to a range of matters, referred to as the Fee Structure Principles¹ as well as the National Gas Objective (NGO). These are set out in more detail in Appendix A1 with some examples of how these requirements may be applied to reviewing the gas fee structures.

Specifically, in determining the structure of participant fees NGR clause 135CA requires that AEMO:

- Must have regard to the national gas objective; and
- Must have regard to the following principles:
 - the fee structure should be simple;
 - subject to subrule 4A² the components of the fees charged to each Registered participant should be reflective of the extent to which the budgeted revenue requirements for AEMO involve that Registered participant;
 - a Registered participant who is not required to be registered under the National Gas Law or these rules, other than under rule 713, should only be liable to pay participant fees for the purpose of recovering east coast gas system reliability costs and funding the trading fund under Part 27;
 - the fee structure should not discriminate unreasonably against a category or categories of Registered participants; and

¹ National Gas Rules Clause 135CA(4).

² National Gas Rules Clause 135CA(4A) - The participant fees charged to a Registered participant may include a component for the recovery of capacity trading and auction costs or east coast gas system reliability costs even if those costs do not involve that Registered participant.

- must have regard to other fee structures that it thinks appropriate for comparison purposes.

The Rules do not expressly indicate that one or another of these Fee Structure Principles should have greater weight than the others. However, where it is not practicable for AEMO to satisfy all of the principles or satisfy them all to an equal degree, AEMO may adopt a structure which is not equally consistent with all the principles. Therefore, meeting the requirements established under the NGR typically requires a trade-off between principles. That is, an option to improve the fee structure against one principle may lessen the applicability of another principle.

For example, commonly competing principles are cost-reflectivity and simplicity. While cost-reflectivity in a fee structure could be improved through measures such as disaggregation of fees, markets or services, this would decrease the simplicity of the fee structure, and the systems to manage fees would become more complex.

AEMO's objective through this review and consultation process is to strike a balance between competing Fee Structure Principles, through careful consideration of the principles and stakeholder feedback on how any fee structure changes impact various stakeholders.

It is also relevant to note that the participant fees:

- should be sufficient to cover AEMO's budgeted revenue requirements.
- charged to a Registered participant may include a component for the recovery of capacity trading and auction costs or east coast gas system reliability costs even if those costs do not involve that Registered participant.

1.3 Budget and Fee Structure

The operation of clause 135CA, dealing with the development of participant fee structures needs to be understood in the context of its surrounding provisions which deal with budgets and the payment of Participant fees:

- Under clause 135CF(1) of the NGR, AEMO is required to prepare and publish its budgeted revenue requirements.
- That budget must take into account and identify revenue requirements for the matters set out in clause 135CF(2) of the NGR.
- Some, but not all of these matters are referred to in the components of Participant fees specified in 135CC(1)
- However, AEMO may adopt 'components' of Participant fees which are different to or more than those set out in clause 135CC(1).
- Section 135CA(5) of the NER provides that Participant fees should recover recurrent expenditure through principles prescribed under the NGR.
- Under section 135CE, AEMO may charge Registered Participants the relevant component of Participants fees in accordance with the structure of Participant fees.

Consequently, the scheme of clauses 135CA, 135CE and 135CF of the NGR is:

- To require AEMO to determine the structure of Participant fees according to certain rules;
- To require AEMO to determine AEMO's budgeted revenue requirements according to certain rules; and
- To empower AEMO to recover the budgeted revenue requirements through charging Registered Participants in accordance with the structure of Participant fees.

1.4 Consultation Scope

AEMO is seeking stakeholder views on the fee structures to apply from 1 July 2024 to gas participant fees, PCT Exchange Fees and Auction Fees and ECGS Reform Program Fees. This relates to fee structures applying to the following AEMO markets and services:

Participant fees:

- Declared Wholesale Gas Market (DWGM)^{3,4}
- Short Term Trading Market (STTM)
- Retail markets (Vic, NSW/ACT, Qld, SA)
- Gas Bulletin Board (GBB)
- Gas Statement of Opportunities (GSOO)
- Energy Consumers Australia (ECA) Fees
- PCT fees:
 - Capacity trading platform (CTP)
 - Day-ahead auction (DAA)
 - Registration fee (CTP and DAA)
 - Operational Transportation Service (OTS) Code Panel.
- ECGS Reform Program (Stage 1)

Note that fee structures for the following services are out of scope for this consultation:

- Gas Supply Hub (GSH)
- Western Australia Full Retail Contestability (FRC) Gas Market
- Western Australia Gas Services Information (GSI).

These fee structures are prescribed in their respective market rules.

³ AEMO is able to charge Capacity Certificate (CC) auction fees under Rule 328B(12), and separately collects the proceeds of capacity certificate auctions, both of which need to be considered against the cost of operating the auction, with any excess costs recovered against the DWGM if required. A change to this Rule is not within scope of AEMO's consultation.

⁴ Cost recovery for the costs of the Dandenong Liquefied Natural Gas (LNG) agreement and the costs/profits of utilising the LNG is covered by Rule 286B. Therefore, the fee structure for these costs/profits is not within scope of AEMO's consultation.

2 Background and Context

The current structure for the gas participant fees came into effect on 1 July 2021 and expires on 30 June 2024.⁵ As such, AEMO is required to review and publish, in consultation with Registered participants, interested parties and such other persons as AEMO thinks appropriate, the structure and term of participant fees to apply from 1 July 2024.⁶ AEMO must consult on the fee structure in accordance with the extended consultative procedure under the NGR.

The current fee structure for PCT services came into effect on 1 July 2021 and will expire on 30 June 2024. This term was intended to align with the term of the gas participant fees structures. Fee structures for PCT were introduced in March 2019 and were necessary to support new services introduced in early 2019 resulting from gas pipeline capacity trading reform.⁷ These fees are recovered as Exchange Fees and Auction Fees under the NGR but are considered together with participant fees through this consultation given the similar consultation requirements and term expiry dates, and benefits of taking a holistic view of gas fees.

At the time of making its Final Determination for the current fee period, AEMO made the following key changes to its gas fee structures:

- *Registration fees for DWGM and STTM* – Introduced upfront registration fees into the Declared Wholesale Gas Market (DWGM) and Short-Term Trading Market (STTM) gas wholesale markets.
- *Disaggregation of registration fees by participant category* – Disaggregated registration fees by registrable capacity in each market where registration fees apply.
- *Disaggregation of PCT fees into component services* – Disaggregated the fees for transportation services traded on the Capacity Trading Platform (CTP) and Day-Ahead Auction (DAA) into compression service fees and other transportation service fees.
- *Introduction of PCT ‘deficit safety net’* – Introduced a ‘deficit safety net’ with a threshold of \$900,000, and the right for AEMO to recover any amount exceeding this threshold from DWGM and STTM wholesale market participants.
- *GSOO fees – shared recovery* – Allocated 30% of Gas Statement of Opportunities (GSOO) fees to producers on a \$/GJ produced basis; and 70% to retailers on a \$/supply point basis.

In addition, AEMO determined to retain the three-year term for the fee structure to apply from 1 July 2021, along with a three-year rolling average period. This was intended to provide a balance between fee certainty for participants with flexibility to consider and respond to developments through the next fee structure review.


AEMO is seeking stakeholder views on these fee structures as they relate to AEMO’s operation of wholesale and retail gas markets, other markets supporting the secondary trading of gas and pipeline capacity and the Gas Bulletin Board that provides up-to-date gas market and system information.

In addition to these markets and services, on 12 August 2022, Energy Ministers agreed to take a range of actions to support a more secure, resilient and flexible east coast gas market, including the implementation of a reliability

⁵ Determinations are set out for Participant Fees in AEMO’s Final Report Structure of participant fees in AEMO’s gas markets published 19 March 2021. Available on AEMO’s website at: [AEMO | Gas Markets Participant Fee Structure Review](#)

⁶ S135CA(1) National Gas Rules

⁷ Determinations are set out for PCT Fees in AEMO Final Report Gas Pipeline Capacity Trading and Day Ahead Auction 2019 Fee Structure (12 February 2019).



and supply adequacy framework that can be used to identify and respond to reliability and/or supply adequacy threats and better manage periods of volatility.⁸

This has resulted in a material change to AEMO's roles and responsibilities across the east coast gas market for which a determination on an approach to recovering costs is required.

The development of this framework (referred to herein as the ECGS Reform Program) was prompted by the significant challenges experienced across east coast gas markets in 2022, and analysis^{9,10} by the Australian Competition and Consumer Commission (ACCC) and AEMO, which forecasts potential supply shortfalls emerging from 2023.¹¹

The ECGS Reform Program is being developed in two stages¹²:

- Stage 1 focuses on those elements of the framework required to enable AEMO to monitor and communicate emerging threats to the reliability and/or adequacy of supply and to respond to any such threats by winter 2023, including last resort intervention powers if industry response is inadequate (such as by issuing directions or trading in natural gas, transportation and storage services); and
- Stage 2 focuses on those elements of the framework that are required to guide and frame how AEMO approaches its new functions and facilitate more efficient responses by market participants but can be implemented post 2023.¹³

On 28 October 2022, Energy Ministers agreed to amend the National Gas Law (NGL, Law) to extend AEMO's functions and powers to manage reliability and gas supply adequacy in the east coast gas market.¹⁴ In February 2023, Energy Ministers also agreed to amend the NGR and National Gas Regulations to implement the Stage 1 reforms.¹⁵

Further details on Stage 1 and Stage 2 of the ECGS Reform Program, including the timing and cost of implementation and participants to be charged for the reform are provided below.

2.1 ECGS Reform Program – Stage 1

The *National Gas (South Australia) (East Coast Gas System) Amendment Act 2023* was first introduced in the South Australian (SA) Parliament on 30 November 2022 and commenced on 27 April 2023 alongside supporting rules and regulations. This followed a period of stakeholder consultation by Energy Senior Officials between September and October 2022.

AEMO's east coast gas system reliability and supply adequacy functions resulting from Stage 1 of the ECGS Reform Program are as follows¹⁶:

⁸ Energy Ministers, Priority reforms for a more secure, resilient and flexible east coast gas market, 12 August 2022.

⁹ See [ACCC July 2022 Gas Inquiry Interim report](#)

¹⁰ See [AEMO Gas Supply and System Adequacy Risks report](#)

¹¹ Energy Ministers, Information paper: Extending AEMO's functions and powers to manage east coast gas system reliability & supply adequacy. February 2023

¹² Ibid.

¹³ At the time of publication of this Consultation Paper, consultation on Stage 2 of the ECGS Framework remains ongoing.

¹⁴ Energy Ministers, Meeting Communique. 28 October 2022.

¹⁵ Energy Ministers, Information paper: Extending AEMO's functions and powers to manage east coast gas system reliability & supply adequacy. February 2023

¹⁶ National Gas (South Australia) (East Coast Gas System) Amendment Act 2023, clause 91AD

- to monitor trends in the supply of, and demand for, natural gas in the east coast gas system and factors affecting, or that may potentially affect, the reliability or adequacy of the supply of gas within that system;
- to identify and communicate actual or potential risks or threats to the reliability or adequacy of the supply of natural gas within the east coast gas system;
- to report to and advise the MCE, including a member of the MCE, on matters relating to the reliability or adequacy of the supply of natural gas within the east coast gas system;
- to publish information relating to the reliability or adequacy of the supply of natural gas within the east coast gas system;
- to give directions to relevant entities to the extent AEMO considers necessary to maintain and improve the reliability or adequacy of the supply of natural gas within the east coast gas system;
- to trade in natural gas or to purchase pipeline services or services provided by a compression service provider or a storage provider to the extent AEMO considers necessary to maintain and improve the reliability or adequacy of the supply of natural gas within the east coast gas system; and
- other functions conferred on AEMO by the Rules for the purposes of this section;

The *National Gas Amendment (East Coast Gas System) Rules 2023* (Amendment Rules) provide for:

- minor revisions to Part 18 Natural Gas Services Bulletin Board including insertion of medium-term capacity outlook definition and requirements, and new storage cushion gas definitions; and
- the introduction of a new Part 27 East Coast Gas System Reliability and Supply Adequacy setting out matters including but not limited to: disclosure obligations for relevant entities, requirements when convening and attending gas system reliability and supply adequacy conferences, requirements when identifying or notifying risk or threat notices, as well as when exercising AEMO's new direction or trading functions, and direction compensation arrangements.

AEMO is also required to develop the ECGS Procedures and Guidelines relating to its new functions.¹⁷ Details on each of these new functions are provided below.

2.1.1 Monitoring and Assessment

As noted above, AEMO's new functions require it to:

- monitor trends and factors that may potentially affect reliability or adequacy of the supply of gas within the ECGS,
- identify and communicate actual or potential risks or threats to the reliability or adequacy of the supply,
- report to, and advise the MCE (including a member of the MCE), on matters relating to the reliability or adequacy of the supply of natural gas within the ECGS; and
- to publish information relating to the reliability or adequacy of the supply within the ECGS.

¹⁷ National Gas (South Australia) (East Coast Gas System) Amendment Act 2023, clause 91AD(h)



A key component of Stage 1 is the establishment of a 'Part 27 register' of relevant entities including Part 27 retailers¹⁸, BB reporting entities, LNG export projects and other relevant entities AEMO determines. This register is used for contacting relevant entities and identifying system access.

Further, Stage 1 provides for additional disclosure obligations for all relevant entities captured within the Part 27 register. Depending on the entity type, this may include, but not be limited to information pertaining to:

- Expected daily gas demand;
- Medium term maintenance demand;
- Extended daily capacity outlooks;
- Medium term capacity outlook recall times;
- Linepack forecasts;
- Short term capacity outlooks for pipeline segments;
- Domestic supply forecast; and / or
- Export forecasts.

Depending on the information to be submitted, relevant entities may be required to report on a daily, weekly, or monthly basis. Further details on the information disclosure obligations, including how relevant entities are required to submit their information is available as part of the ECGS Procedures.¹⁹

Having received this information, AEMO is required to monitor and assess actual or potential risks or threats to reliability and adequacy of supply across the gas system. AEMO is to draw upon existing disclosure requirements as well as new disclosure obligations upon relevant entities.

Where AEMO identifies an actual or potential risk or threat that meets or exceeds the following criteria, it must notify stakeholders:


- the supply of gas in all or part of the east coast gas system may be inadequate to meet demand; or
- the supply of gas in all or part of the east coast gas system may not be relied upon to meet demand, including in circumstances where:
 - supply reserves are insufficient to respond to an unplanned event; or
 - gas supply, including gas storage, may be insufficient to satisfy seasonal demand requirements; and
- AEMO determines that alternative AEMO functions and powers such as STTM contingency gas or DWGM interventions are insufficient to mitigate the actual or potential risk or threat.

Further details on AEMO's approach to publishing risk or threat notices is available as part of the ECGS Procedures.

In addition to publishing risk or threat notices, AEMO may convene a gas supply adequacy and reliability conference of relevant entities, jurisdictional representatives and the ACCC for the purposes of discussing an identified risk or threat or circumstance that AEMO considers may lead to an identified risk or threat.

¹⁸ Includes retailer (those that sell gas) and non-NGL retailer (those that are not a retailer as defined in section 2(1) of the National Energy Retail Law but who sells gas and meets at least one component of pre-defined criteria). Refer to clause 683(4) of the NGR.

¹⁹ AEMO, East Coast Gas System Procedures. Available [here](#).



Further details on AEMO's approach to convening a gas supply adequacy and reliability conference including the disclosure of information, is available as part of the ECGS Procedures and ECGS Guidelines.

2.1.2 Directions and Compensation

In addition to AEMO's monitoring and assessment function, the east coast gas system reliability and supply adequacy functions also authorise AEMO to give written directions to relevant entities for the following purposes:

- a) to maintain and improve the reliability of the supply of natural gas within the east coast gas system;
- b) to maintain and improve the adequacy of the supply of natural gas within the east coast gas system.²⁰

AEMO may only give a direction if it is of the opinion that a direction is necessary to prevent, reduce or mitigate an actual or potential risk or threat identified. Directions may relate to matters that affect reliability and adequacy of the supply within the east coast gas system, including directions relating to operation, maintenance or use of equipment. Relevant entities are required to comply with directions given by AEMO to the extent to which compliance is consistent with a law of a participating jurisdiction applying to the person.

Further details on AEMO's approach and the principles it may consider when giving a direction is available as part of the ECGS Procedures and ECGS Guidelines.

Relevant entities for whom AEMO has been required to direct may seek direction compensation in accordance with the NGL and NGR.

As the costs of directions are recovered via the directions compensation framework these costs are not within the scope of the ECGS Reform Program fee.

2.1.3 Trading

As part of its new functions AEMO is able to *"to trade in natural gas or to purchase pipeline services or services provided by a storage provider to the extent necessary or desirable to maintain or improve the reliability and adequacy of the supply of natural gas within the east coast gas system"*.²¹


AEMO must not exercise the function unless it is of the opinion that the trade or purchase is necessary to prevent, reduce or mitigate an actual or potential threat identified by AEMO in the exercise of its east coast gas system reliability and supply adequacy functions. The regulatory framework provides AEMO with a broad scope to enter into different types of transactions for the purpose of exercising the trading function. These include:

- Purchases or sales: AEMO directly purchasing or selling natural gas or gas services (including pipeline, storage and compression services) on a bilateral basis.
- Market Trading: AEMO trading directly in the regulated gas markets.
- Procuring services from industry: AEMO paying an industry participant (or participants) to provide a service to the east coast gas system, e.g., supplying additional gas into a certain network.

The Rules require AEMO to establish and maintain a trading fund of \$35 million for each financial year, adjusted by CPI. The fund must be in place irrespective of whether AEMO trades. AEMO is not required to hold an amount of money equal to the adjusted trading amount so long as AEMO is able to access the adjusted trading amount. AEMO must set contribution rates for industry at the start of each financial year to fund the fund, as well as the

²⁰ Ibid.

²¹ National Gas (South Australia) (East Coast Gas System) Amendment Act 2023, clause 91AD(f)



timing and manner payments by relevant entities and the methodology to be used to refund a contribution made to the trading fund if the money held in the fund exceeds the funding capacity.²²

While the costs of any trading actions are recovered via contribution rates directly from relevant entities in accordance with the NGR and AEMO's ECGS Procedures, the ongoing costs of maintaining the debt facility are not, and therefore within the scope of the ECGS Reform Program fee.

2.1.4 ECGS Stage 1 – Implementation & Program Cost Estimates

2.1.4.1 Implementation

Stage 1 of the ECGS Reform Program was intended to be in place ahead of winter 2023 to help address the potential supply shortfalls emerging from 2023.²³ AEMO has therefore looked to leverage its existing processes and systems wherever possible to support implementation of the ECGS Reform Program, including for example the Gas Bulletin Board (GBB) for data collation.

Further, to support implementation of AEMO's new functions, AEMO established the ECGS Reform Working Group in December 2022. The objective of the Working Group is to enable effective and efficient engagement between AEMO and gas industry stakeholders to support the delivery of the ECGS Reform Program. The purpose of the Working Group was to:

- Provide a channel for information sharing regarding the upcoming changes.
- Provide an opportunity for stakeholders to help AEMO identify and address areas of concern.
- Enable industry to be usefully involved in the implementation of the reform.

As a result of these reforms AEMO has been required to:

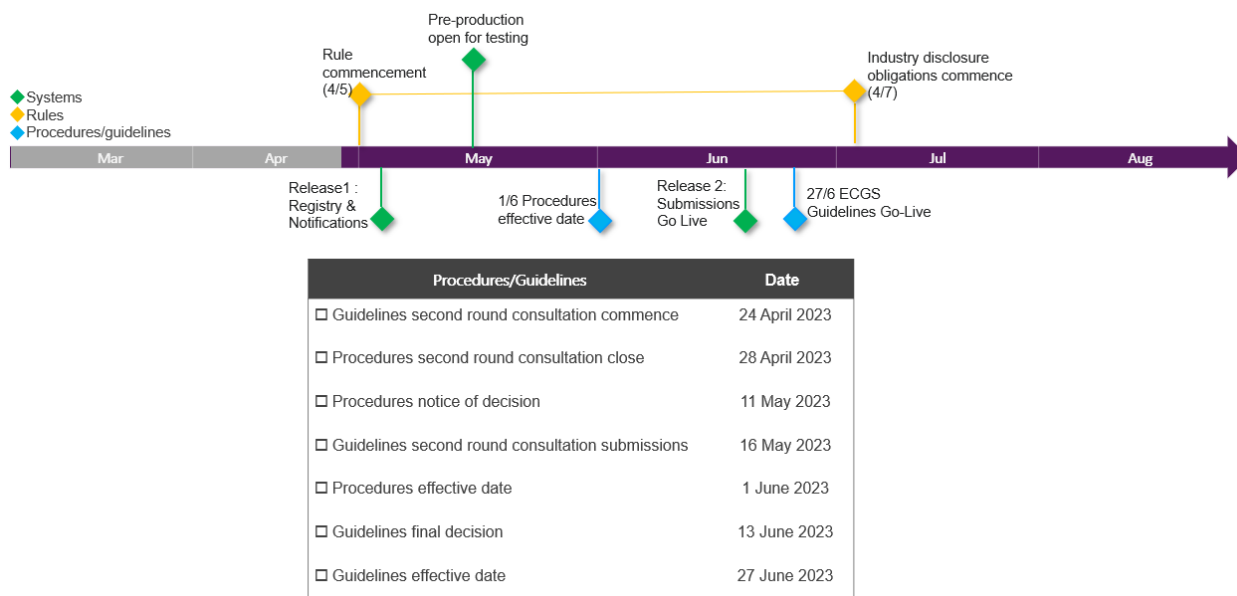
- Develop new ECGS Procedures – These procedures provide for the establishment of a register of relevant entities; the disclosure obligation requirements of relevant entities to provide information under these Procedures; monitoring of the East Coast Gas System and details how AEMO will signal issues via risk or threat notices, gas supply adequacy and reliability conferences; and direction or trading; direction compensation methodology for relevant entities; and how costs of trading fun are to be recovered. The ECGS Procedures came into effect on 1 June 2023.
- Amend existing Bulletin Board (BB) procedures and data submission guides – These amendments include refinements to short term and medium term capacity outlooks for BB facilities to incorporate the new data submission requirements and timelines, as well as minor editorial amendments throughout the Procedure to provide clarify.
- Develop new ECGS Guidelines – These guidelines explain the processes to be undertaken by AEMO in response to an identified risk or threat and comprise three related guidelines: Gas Reliability and Supply Adequacy Conferences Guideline; Directions Guidelines; and Trading Guidelines. The ECGS Guidelines came into effect on 27 June 2023.

²² Note: Relevant entities are not entitled to refunds for contributions made to the trading fund but may receive reimbursement for excess funds only.

²³ Energy Ministers, Consultation Paper: Extension of AEMO functions and powers to manage supply adequacy in the east coast gas market. September 2022

- Develop Part 27 register of relevant entities – This register is used for contacting relevant entities and identifying system access and setting out the information to be disclosed by relevant entities in accordance with Part 27 of the NGR.
- Update existing market systems and internal processes – These amendments include changes to how AEMO receives BB information and data either via the markets portal (Market Net) and/or directly through API endpoints including the following APIs:
 - Medium Term Capacity Outlook (BB facilities)
 - Expected Daily Gas Demand (Part 27 Retailers, BB large user facilities and LNG export projects)
 - Linepack forecast (BB pipelines)
 - Domestic supply forecast (LNG export projects)
 - Export forecast (LNG export projects)
 - Assessment models being developed (such as a modified version of the GSOO model)
- Develop additional technical documentation – including identification of linepack zones, and demand zones (pipeline connection point mapping).
- Develop industry readiness plans including facilitating industry testing.

Figure 1 – Implementation timeline



2.1.4.2 Program Costs Estimates

Program cost estimates and cash flows across FY2023 and FY2024 have been developed and are shown in Table 2 – Estimated ECGS Reform Program Stage 1 Program Costs below. Capital costs include those associated with those implementation activities referred to above in section 2.1.4.1. No additional capital costs are anticipated to be incurred associated with the remaining implementation efforts associated with Stage 1.

Table 2 – Estimated ECGS Reform Program Stage 1 Program Costs

Cost component	\$
Total capital costs	\$2,000,000
Ongoing costs per annum ²⁴	\$1,500,000

2.2 ECGS Reform Program – Stage 2

Following Stage 1 coming into effect earlier this year, Energy Senior Officials are now consulting on measures for potential inclusion in Stage 2 of the framework, which will help guide how AEMO delivers its new functions. These include:

- a reliability standard for the east coast gas market;
- additional monitoring and communication tools analogous to those in the National Electricity Market (NEM), in particular, projected assessment of system adequacy (PASA), and a notice of closure framework for certain types of gas infrastructure; and
- targeted reliability and supply adequacy management tools, including:
 - a reliability and supply adequacy contracting obligation on gas retailers and gas-powered generators;
 - an administered demand response mechanism; and
 - a supplier of last resort mechanism analogous to the NEM Reliability and Emergency Reserve Trader (RERT).

This consultation process remains open, and the outcomes are not within the scope of this fee consultation. Further information on the Stage 2 consultation is available [here](#).

²⁴ Ongoing costs are assumed to commence from FY24 and relate to business and digital post go-live support for the Stage 1 reforms.

3 Current Gas Fee Structures

Gas fee structures applying in the current period were reviewed and developed by AEMO through the extended consultative procedures in the NGR. The fee structures developed through the last gas participant fees consultation process are set out below in Table 3.

AEMO notes that GBB registration fees for the Bulletin Board (BB) participants²⁵ have not been included in the table as per previous Gas Participant fee structure consultations. AEMO determined that these fees should not apply to BB participants due to the mandatory nature of providing information to the GBB, with an expanded set of participants required to provide information introduced through the National Gas Amendment (Market Transparency) Rule 2022 made on 30 June 2022²⁶. This Rule was implemented on 15 March 2023.

Table 3 – Current Gas Fee Structures

Liable registered participants		Fee structure
DWGM		
Energy Tariff	Each Market Participant withdrawing gas from the Declared Transmission System.	\$ / GJ withdrawn
Distribution Meter Fee	Each Market Participant 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.	\$ / connection point with interval metering installation / day
Participant Compensation Fund (PCF)	Each Market Participant withdrawing gas from the Declared Transmission System.	\$ / GJ withdrawn
Initial registration fee	Each new DWGM market registered participant.	\$ / registration / registrable capacity
STTM		
Activity Fee	Each STTM Shipper and STTM User withdrawing gas at any hub.	\$ / GJ withdrawn
PCF	Each STTM Shipper and STTM User withdrawing gas at any hub.	\$ / GJ withdrawn / hub
Initial registration fee	Each new STTM market registered participant.	\$ / registration / registrable capacity
Retail		
VIC Gas Tariff	Each Victorian retail gas market participant participating in the registrable capacity of market participant – retailer.	\$ / customer supply point
VIC Gas initial registration fee	Each new Victorian retail gas market participant registering in the capacity of market participant – retailer or market participant – other.	\$ / registration / registrable capacity
QLD, SA, NSW & ACT Gas Tariff	Each retail gas market participant participating in the registrable capacity of retailer.	\$ / customer supply point (by jurisdiction)

²⁵ BB reporting agent, BB reporting entity and BB shipper.

²⁶ Making of the Rule by Minister Koutsantonis available on the AEMC’s website at: [20220630_Gas_Market_Transparency_Rule.pdf](https://www.aemc.gov.au/20220630_Gas_Market_Transparency_Rule.pdf) ([aemc.gov.au](https://www.aemc.gov.au))

	Liabe registered participants	Fee structure
QLD, SA, NSW & ACT Gas initial registration fee	Each new retail gas market participant registering in the registrable capacity of retailer or self-contracting user.	\$ / registration / registrable capacity
GSOO		
Producer fee	Each BB facility operator registered as the BB reporting entity for a BB production facility.	\$ / GJ produced (to allocate 30% of GSOO costs)
Retailer fee	Each retail gas market participant participating in the registrable capacity of market participant – retailer in Vic or retailer in NSW/ACT, Qld and SA.	\$ / customer supply point (to allocate 70% of GSOO costs)
GBB		
Producer fee	Each BB facility operator registered as the BB reporting entity for a BB production facility.	\$ / GJ produced (to allocate 50% of GBB costs)
Wholesale gas markets participant fee	Each Market Participant withdrawing gas in the DWGM or each STTM Shipper or STTM User withdrawing gas at any hub.	\$ / GJ withdrawn (to allocate 50% of GBB costs)
ECA		
Energy Consumers Australia (ECA) On-Charge	Each retail gas market participant participating in the registrable capacity of market participant – retailer in Victoria or retailer in NSW/ACT, Qld and SA.	\$ / customer supply point
PCT		
CTP other transportation fee	Each trading participant - buyer and seller.	\$ / GJ of traded transportation service (excluding compression service)
CTP compression fee	Each trading participant - buyer and seller.	\$ / GJ of traded compression service
CTP licence fee	Each trading participant - buyer and seller.	\$ / licence / annum
DAA other transportation fee	Each auction participant.	\$ / GJ of auction service (excluding compression auction service)
DAA compression fee	Each auction participant.	\$ / GJ of compression auction service
Registration fee	Each new participant, including: <ul style="list-style-type: none"> • Part 24 Facility operators; and • Day ahead - Auction participants. 	\$ / registration / registrable capacity
OTS Code Panel	Each trading participant.	\$ / GJ on CTP and DAA trades

4 Key matters for consultation

This section sets out the key matters for consultation for the gas fee structures. Feedback from stakeholders is not limited to issues identified by AEMO in this section. Section 3.7 invites stakeholders to identify further issues or options for improving gas fee structures which should be considered through this consultation.

4.1 Gas fee structure term

The gas fee structure term and averaging period, defines the period over which AEMO seeks to recover its costs.

4.1.1 Current approach

The Rules permit AEMO to set participant fee structures for a period of time as it considers appropriate.²⁷ The four prior gas participant fee structure determinations fixed the term of participant fee structures at three years. A three-year rolling period is also used to recover costs in each market. The intent of this approach was to provide a balance between reducing year to year variability and maintaining the ‘user pays’ principle (i.e. cost-reflectivity).

4.1.2 Issues

Setting a fee structure over a longer period, for example five years, provides certainty and predictability. This needs to be balanced against having the ability to change a fee structure if circumstances change. There are several regulatory reforms and market factors which may impact the gas industry over the next few years. Such changes include reforms like Stage 2 of the ECGS Reform Program; emergent reforms required to accommodate hydrogen networks; and uncertain market dynamics and trends such as domestic gas supply, global demand, and price impacts.

4.1.3 Proposed approach

AEMO does not propose a change to the three-year term, or the three-year rolling period used to recover costs. As indicated above, AEMO considers this approach best balances the need to manage the impact of expenditure variability with the realisation of the ‘user pays’ principle.

Question 1

- a. Is a three-year term appropriate for this gas fee structure determination?
- b. Is a three-year rolling period to recover costs appropriate?

4.2 Registration fees

Registration fees are a component of the participant fees which comprises an annual fee for each registrable capacity of Registered Participants.

²⁷ National Gas Rules, Clause 135CA(1)

4.2.1 Current approach

Registration fees are levied in some gas markets as an upfront charge reflecting the cost of resources and efforts attributable to registering a new registered participant. In the 2021 gas fee structure determination, the following changes were made to registration fees:

- Introduction of registration fees into wholesale gas markets, being the DWGM and STTM; and
- Disaggregation by registerable capacity across any market in which registration fees apply.

Table 4 below summarises the registration fees applicable. As highlighted in section 3, GBB registration fees for BB participants are no longer applicable due to the implementation of the National Gas Amendment (Market Transparency) Rule 2022.

Table 4 – Current Registration fees

Gas market	Liable registered participants	Fee structure
DWGM		
Initial registration fee	Each new DWGM market registered participant.	\$ / registration / registerable capacity
STTM		
Initial registration fee	Each new STTM market registered participant.	\$ / registration / registerable capacity
Retail		
Vic Gas initial registration fee	Each new Victorian retail gas market participant registering in the capacity of market participant – retailer or market participant – other.	\$ / registration / registerable capacity
Qld, SA, NSW & ACT Gas initial registration fee	Each new retail gas market participant registering in the registerable capacity of retailer or self-contracting user.	\$ / registration / registerable capacity
PCT		
Registration fee	Each new participant, including: <ul style="list-style-type: none"> • Part 24 Facility operators; and • Day ahead - Auction participants. 	\$ / registration / registerable capacity

Registration fee costs were based on analysis completed by AEMO of registration activities across the business. The analysis comprised detailed, bottom-up activity analysis across each of the teams involved in the registration process to understand the effort, inputs and costs associated with each registerable capacity. It should be noted that the analysis considered whether there was any further basis for disaggregation, aside from registerable capacity, and that no further basis was identified.

The analysis also informed which registerable capacities will be calculated on a quoted basis. That is, quoted fees will apply to registered participant categories where registrations are infrequent, complex in nature, diverse in registration requirements, time-consuming or otherwise difficult to prepare a standard fee for. These registerable capacities are set out in the following table.

Table 5 – Registration fees to be provided on a quoted basis

Market	Registerable capacity for which registration fees will be quoted
DWGM	<ul style="list-style-type: none"> • Market Participant - Producer • Market Participant - Transmission customer • Market Participant - Storage Provider

Market	Registrable capacity for which registration fees will be quoted
	<ul style="list-style-type: none"> Participant - Declared transmission system service provider Participant - Interconnected transmission pipeline service provider Participant - Distributor Participant - Producer Participant - Storage provider Participant - Transmission Customer
Retail - NSW/ACT	<ul style="list-style-type: none"> Network Operator
Retail - QLD	<ul style="list-style-type: none"> Distributor
Retail - SA	<ul style="list-style-type: none"> Network operator Network operator - Mildura region Transmission System operator
Retail - VIC	<ul style="list-style-type: none"> Distributor Transmission System Service Provider.

4.2.2 Issues

Three key matters can be considered in relation to initial registration fees to enhance cost-reflectivity, transparency and non-discrimination, or promote greater participation and competition in gas markets:

1. Upfront fee: Potential for a more innovative approach to structuring the up-front initial registration fees to incentivise entry into, and therefore competition in, gas markets to better realise the NGO.
2. Cost-reflectivity and transparency: Current fee structure typically aggregates the initial registration fee for all registerable capacities in a market (where registration fees are changed).
3. Incentive to commit: Where upfront registration fees are not charged, AEMO is unable to recover costs when an application is withdrawn. This results in existing participants subsidising time and effort expended on these types of applications.

4.2.3 Proposed approach


AEMO does not consider any changes are required to the existing Registration fees for the next fee period as the changes introduced for the current period were based on extensive analysis undertaken on AEMO's registration activities to understand the requirements for registrable capacities and there have not been any significant changes to these recently.

Question 2

Do stakeholders agree that the current approach for Registration fees is appropriate? If not, what are the alternative approaches that should be considered?

4.3 PCT fees – transportation services and recovery via other markets

PCT allows participants to trade spare gas pipeline capacity, helping to encourage transmission pipelines and compressors outside of the Victorian Declared Transmission System to be used more efficiently. PCT services



facilitate the trading of transmission pipeline and compression services (jointly referred to as ‘transportation services’) through two key mechanisms:

- a CTP that shippers can use to trade secondary capacity ahead of the nomination cut-off time, and provides for exchange-based trading of commonly traded products and a listing service for other more bespoke products; and
- a DAA of contracted but un-nominated capacity, conducted shortly after nomination cut-off and subject to a reserve price of zero (with compressor fuel provided in-kind by shippers).

4.3.1 Current approach

In relation to transportation services, AEMO currently disaggregates compression service fees from other transportation services traded on the CTP and DAA, applying charges on a \$/GJ basis. This disaggregation was made for the current period in order to more efficiently apply fees for use of the CTP and DAA, thereby encouraging the increased utilisation of the PCT to deliver increased realisation of PCT efficiency objectives, and ultimately reduce prices paid by PCT participants, wholesale market participants and gas consumers. Further, AEMO anticipated that a reduction in the compression fee could increase the quantity of services purchased in the DAA. A volume-based fee was considered appropriate because the benefits of participants’ access to AEMO’s PCT markets increases with increasing volumes traded through those markets.

Additionally, for the current gas fee period, AEMO determined to introduce a deficit safety net threshold value of \$900,000 which applies to its aggregate financial position on its three PCT accounts (i.e. CTP, DAA and the Operational Transportation Service (OTS) Code Panel). While the financial position for each of the CTP, DAA and OTS Services Panel are ring-fenced from each other and from other gas markets accounts, AEMO treats these as a single aggregate account for the purpose of considering the overall financial position and whether to exercise the deficit safety net. This means should a deficit exceeding \$900,000 accrue across PCT accounts, AEMO would have the right to recover any amount exceeding this threshold from the DWGM and STTM wholesale markets during the fee structure term. Any recovery from these markets would be made via adjustments to fees in the subsequent year/s using the following methodology:

- allocating the deficit recovery value between DWGM and STTM on a GJ withdrawn basis;
- aggregating the PCT recovery value with each of the DWGM and STTM financial positions; then
- incorporating into the DWGM and STTM fees as per the status quo (\$/GJ withdrawn fee).


4.3.2 Issues

Disaggregation of transportation services

The PCT was established on 1 March 2019 with the CTP and DAA fee structures expiring on 30 June 2024 aligning with the expiry of the gas participant fee structure. As AEMO and participants now have further understanding of the operation and utilisation of the CTP and DAA there is the opportunity to review whether disaggregation of compression service fees from other transportation services has been effective.

PCT deficit and recovery from alternative markets

As outlined above in section 3.3.1, AEMO determined to introduce a deficit safety net threshold value of \$900,000 which applies to its aggregate financial position on its three PCT accounts (CTP, DAA and the OTS Code Panel),



allowing AEMO the right to recover any amount exceeding this threshold from the DWGM and STTM wholesale markets during the fee structure term. This approach also allows AEMO to recover fees from PCT participants to the extent possible and then allocate fees to other markets if required.

It was determined to recover this deficit, if required, from the DWGM and STTM wholesale markets as AEMO had not previously been able to fully recover PCT costs from trading participants in the CTP and DAA, and also because it is the wholesale market which derives a benefit from the PCT trades.

4.3.3 Proposed approach

AEMO proposes to maintain the existing approach for both issues relating to PCT fees, that is:

- Maintain the disaggregation of transportation services, applying a \$/GJ fee, which more efficiently applies fees for use of the CTP and DAA; and
- Continue with the deficit safety net threshold value of \$900,000 (with any amounts exceeding the threshold to be recovered from the DWGM and STTM markets) as it balances the need to mitigate the financial risk of any future weakened PCT performance with the need to allow the PCT market to mature so the associated benefits across participants can continue to be better understood.

Question 3

Do stakeholders agree that the current approach for PCT fees should be maintained? If not, what are the alternative approaches that should be considered?

4.4 GSOO fees – application to participants

The GSOO provides AEMO's forecast of annual gas consumption and maximum gas demand, and reports on the adequacy of eastern and south-eastern Australian gas markets to supply forecast demand over a 20-year outlook period.

4.4.1 Current approach


AEMO determined for its current gas fee structure to recover GSOO fees on the following basis:

- 30% from producers on a \$ / GJ produced basis (including any LNG imports in the future); and
- 70% from retailers on a \$ / supply point basis.

The key driver for this change was to transition to a mechanism that more proportionally disseminates costs across registered participants, and potentially down supply chains, whilst also taking into account the reflective of involvement principle. Additionally, LNG import facilities were included in the producer portion of the fee on the basis of the entry of this gas into the domestic gas market.

4.4.2 Issues

Consideration of the GSOO is a complex matter and requires careful consideration against the fee structure principles, particularly the reflective of involvement principle as fees should be reflective of extent to which costs



to AEMO involve a registered participant. The challenges in having regard to the reflective of involvement principle in the GSOO arise out of:

- Applying the reflective of involvement principle for a service where the participants that primarily input to the GSOO are not the only stakeholders that benefit from the GSOO, which means that the extent and type of involvement requires balanced consideration;
- The broad nature of GSOO outcomes results in difficulties in validating direct beneficiaries of the GSOO or definitively assessing their benefits relative to other stakeholders; and
- Allocating fees when some beneficiaries are not registered participants and cannot be charged, noting that the principle requires AEMO to have regard to the extent to which the budgeted revenue requirements for AEMO involve a registered participant.

4.4.3 Proposed approach

As significant changes have not been observed from a gas production perspective with the introduction of a producer fee for the current gas fee period, AEMO proposes to maintain the existing approach of recovering GSOO costs.

Question 4

Do stakeholders agree that the current approach for GSOO fees should be maintained? If not, what are the changes that should be considered?

4.5 Retail market fees – aggregation

AEMO's retail gas markets allow licensed retailers to sell natural gas to residential and business customers in New South Wales, the Australian Capital Territory, Queensland, South Australia and Victoria²⁸. The gas retail markets are operated according to a set of processes, responsibilities and obligations that AEMO administers. AEMO also provides the systems to facilitate interactions between industry participants.

Specifically, AEMO provides the following services to participants in its retail markets:

- Support retail market functions and customer transfers;
- Manage data for settlement purposes;
- Implement market procedure changes; and
- Operate the central IT systems that facilitate retail market services.

4.5.1 Current approach

AEMO operates the following retail gas markets:

- Victorian retail gas market;

²⁸ AEMO also operates a WA market but this is not considered through this consultation process.

- New South Wales / Australian Capital Territory retail gas market;
- Queensland retail gas market;
- South Australian retail gas market.

AEMO determined for the current gas fee structure period to maintain separate fees to each of its above retail gas markets on the basis described in Table 6 below.

Table 6 – Retail gas market fees (excluding registration fees²⁹)

Market	Liabe registered participants	Fee structure
VIC Gas Tariff	Each Victorian retail gas market participant participating in the registrable capacity of market participant – retailer.	\$ / customer supply point
QLD, SA, NSW & ACT Gas Tariff	Each retail gas market participant participating in the registrable capacity of retailer.	\$ / customer supply point (by jurisdiction)

4.5.2 Issues

The activities associated with the operation of each retail market are similar, and the current disaggregation of fees across various jurisdictions results in some administrative duplication by AEMO. Likewise, there may be some additional effort by retailers operating across retail markets to process multiple AEMO fees.

There is potential to achieve greater simplicity for retail market gas tariff fees by applying a single charge across all jurisdictions which could benefit both registered participants and AEMO through efficiencies such as consolidated billing and settlement processes.

It is noted that there is variance in the \$ / supply point fee for each of the retail markets, which is partly attributable to the number of customers in each market. This means that a uniform tariff would likely result in tariff increases in lower priced retail markets (e.g. in Victoria) and tariff decreases in higher priced retail markets (e.g. Queensland). While this approach is inherently less cost reflective, this may be offset by the efficiencies of a simpler approach, and comparability with the NEM retail fee structure.

4.5.3 Proposed approach

In previous fee structure consultations, consolidating the retail gas market tariffs into one single tariff across all gas retail markets has been considered, but not adopted. This was on the basis that the procedures, systems and internal processes for each jurisdiction are different (which is still the case) and therefore any improvements of applying a single charge across all jurisdictions would be unsubstantial and would be offset by being less reflective of involvement.

Question 5

AEMO is interested in whether there is any appetite to change the approach for gas retail market fees for the forthcoming term?

²⁹ Registration fees were discussed in section 3.2.

4.6 Gas Bulletin Board fee structure

The GBB provides up-to-date gas flow information for BB users covering all major gas production fields, major demand centres and natural gas transmission pipelines in New South Wales, the Australian Capital Territory, Queensland, South Australia, Victoria, Tasmania and the Northern Territory. AEMO must maintain the Bulletin Board, in accordance with the NGL, the Rules and the BB Procedures to facilitate:

- trade in natural gas and natural gas services;
- informed and efficient decisions in relation to the provision and use of natural gas and natural gas services; and
- negotiations for access to BB pipelines and other BB facilities providing third party access.³⁰

4.6.1 Current approach

Below is the existing structure for the GBB, excluding registration fees which has been discussed previously in section 3.2.

Table 7 – GBB fee recovery

	Liable registered participants	Fee structure
Producers	Each BB facility operator for a BB production facility.	\$ / GJ produced (to allocate 50% of GBB costs)
Wholesale gas markets participants	Each Market Participant withdrawing gas in the DWGM or each STTM Shipper or STTM User withdrawing gas at any hub.	\$ / GJ withdrawn (to allocate 50% of GBB costs)

4.6.2 Issues

During the consultation process for the current gas fee structure period, a stakeholder suggested that AEMO consider whether the cost recovery approach for GSOO fees should also apply to GBB. This is because it contrasts with the 30:70 producer/retailer split for the GSOO and may be appropriate to make the GSOO and GBB allocation to participant types consistent.

4.6.3 Proposed approach

AEMO proposes to maintain the existing arrangements for GBB fee recovery, that is an equal allocation between producers and wholesale gas market participants as it reflects an objective, equitable and unbiased weighting to support the principles.

Question 6

Do stakeholders agree that the current approach for GBB fees should be maintained? If not, what other arrangements should be considered?

³⁰ Rule 145 of the NGR.

4.7 ECGS Reform Program

As discussed in Section 1.2, AEMO's exercise or performance of its east coast gas system reliability and supply adequacy function was defined as a major gas project at the time of commencement of the Amendment Act, in accordance with clause 135CB of the Rules. When a Participant fee structure is developed under Part 15A Division 3 of the NGR, the following aspects must also be determined:

- the structure of the Participant fee to be used in the recovery of costs;
- the Registered Participants that will be charged the fee;
- the start date for recovery; and
- the period or periods over which recovery will occur.

The sections below outline the requirements to be considered when determining each of the above aspects.

4.7.1 AEMO's existing gas Participant fee structures

This section outlines the relevant existing AEMO gas Participant fee structures which may be considered for the ECGS Reform Program fee. Other existing AEMO gas Participant fee structures, such as the GSOO or Retail Markets fees, have not been included below since those fees are recovered on a connection or supply point basis and are not representative of consumption or withdrawals, so would not accurately reflect the activities or participants associated with the ECGS reforms (as outlined in section 2.1).

4.7.1.1 DWGM and STTM Fee Structures

Costs for the DWGM and STTM are recovered on a consumption basis. That is, for the DWGM, costs are recovered from each Market Participant withdrawing gas from the Declared Transmission System (DTS) and for the STTM, costs are recovered from each STTM Shipper and STTM User withdrawing gas at any hub, both on a \$/GJ withdrawn basis.

These two structures also have Participant Compensation Fund (PCF) components which are recovered from each Market Participant (DWGM) or STTM Shipper and User withdrawing gas from the DTS or hub.

The cost recovery approach of a uniform (or flat) fee was determined appropriate for these fee structures as it reflects the activity of those participants involved within those markets to which the budgeted revenue requirement can be recovered.

4.7.1.2 Gas Bulletin Board Fee Structure

The existing GBB fee structure recovers 50% of GBB costs from producers, on a \$/GJ produced basis, and 50% from all wholesale gas markets participants withdrawing gas in the DWGM or each STTM shipper or user withdrawing gas at any hub, on a \$/GJ withdrawn basis.

This approach reflects that those participating to a greater extent in wholesale markets and therefore gaining greater benefits of increased transparency pay fees that are commensurate with their participation, rather than a uniform fee across all participants.

4.7.2 Recovering Participant Fees from Registered Participants and/or Relevant Entities

Pursuant to clause 135CA of the NGR, AEMO recovers costs from Registered Participants in accordance with the structure of Participant fees determined by AEMO.

However, the ECGS Reform Program and specifically, AEMO's new functions are applicable to all states and territories excluding Western Australia, and not just confined to the AEMO's facilitated markets. As these reforms have been designed so as to capture everyone participating in the ECGS, the rules don't just apply to Registered Participants. Therefore, to capture parts of the ECGS that aren't covered by regulated markets, the Amendment Act allows AEMO to recover costs for the ECGS functions from 'relevant entities' defined in NGL 91AF(8). Here a relevant entity means the following, excluding a small customer:

- a Registered participant;
- an exempted participant;
- a producer who injects natural gas into the east coast gas system;
- a person who buys or sells natural gas in the east coast gas system;
- a gas powered generator (GPG);
- a storage provider whose storage facility is connected to the east coast gas system;
- a person who provides pipeline, transport, compression or other related services in, into or out of the east coast gas system;
- a person specified as a relevant entity by the Rules.

This means that AEMO is able to recover costs of the ECGS Reform Program from Registered Participants and relevant entities that aren't registered under the NGL or Rules for the gas markets. AEMO maintains a register of 'relevant entities' on AEMO's website (Part 27 Register).

In general, the attribution of the allocated costs to each Registered Participant or relevant entity is based on AEMO's activities and outputs and the cost drivers associated with them and the extent of the involvement of the participants for each of the outputs and revenue requirements.³¹

In determining the extent to which the outputs and budgeted revenue requirement relating to a particular output involves a class of Registered Participant or relevant entity, AEMO relies on the experience and expertise of its general managers and staff, and considers factors such as the degree to which:

- the class of Registered Participant or relevant entity that interacts with AEMO in relation to the output;
- the class of Registered Participant or relevant entity that uses the output;
- the class of Registered Participant or relevant entity that receives the output;
- the class of Registered Participant or relevant entity that benefits from the output; and
- those revenue requirements are given rise to, or caused by, that class of Registered Participant's or relevant entity presence in the gas market / system.

³¹ National Gas Rules Clause 135CA(4A) - The participant fees charged to a Registered participant (including relevant entity) may include a component for the recovery of capacity trading and auction costs or east coast gas system reliability costs even if those costs do not involve that Registered participant (or relevant entity).



4.7.3 Start Date and period/s of fee recovery

As noted in Section 2.1.4, AEMO has now completed implementation of Stage 1 of the ECGS Reform Program.

While the start date for recovery and appropriate period/s for fee recovery will be determined through this consultation, AEMO’s preliminary proposal is that a start date of 1 July 2024 is accepted with a fee recovery period of three years. This start date would allow recovery of costs to commence commensurate with AEMO’s other gas fee structures, while a three-year fee recovery period is consistent with AEMO’s initial proposal as part of this consultation on gas fee structures.

4.7.4 Options for Participant fee structure for the ECGS Reform Program

Table 8 below presents two options for how to recover the costs of Stage 1 of the ECGS Reform Program. AEMO has also undertaken an indicative assessment of these options against the fee principles and the NGO. The assessment key is as follows:

	Meets the principle
	Some aspects meet the principle
	Does not meet the principle

We are seeking input on the options proposed, together with any other options to be considered, as part of this consultation. For clarity, while AEMO does not have a preferred option for recovering its ECGS Reform Program costs currently, it does have a preference to establish a separate fee for the recovery of costs of the ECGS Reform Program as opposed to leveraging one of its existing fee structures. For example, AEMO recognise the use of the BB as part of its new functions. AEMO does not propose to combine the recovery of costs for the ECGS Reform Program within its existing BB fee structure as described under 4.6.

Table 8 – Fee structure options for the ECGS Reform Program

Option	Description	Indicative assessment against Fee Principles and the NGO
1. A separate fee consistent with GBB fee structure approach	This approach would mirror the fee structure established for the GBB with producers and wholesale gas market participants allocated 50% of the costs of the reform program each charged on a \$ / GJ produced or withdrawn basis respectively.	NGO
	Similar to ECGS, the GBB functions beyond AEMO’s facilitated markets (STTM and DWGM) and the transparency it provides benefits industry as a whole. GBB fees are levied on both the facilitated markets and on producers (who, generally, operate outside of the markets). Charging a share of the fees to producers and to the markets would allocate a share of the costs to both suppliers and consumers of gas.	Simplicity

Option	Description	Indicative assessment against Fee Principles and the NGO
	<p>PROS</p> <ul style="list-style-type: none"> • Simple to implement with established framework / process and available supporting data • Benefits of the ECGS reforms extend beyond consumers, by charging producers potentially provides a more equitable split in terms of cost reflectivity • Promotes all end users contributing to the costs of the reform program • A separate fee promotes transparency of the costs of the reform program <p>CONS</p> <ul style="list-style-type: none"> • Some beneficiaries of the ECGS reforms captured by the facilitated markets may get double charged due to direct costs to be recovered by AEMO and then indirect costs to be recovered from producers (although AEMO expects the cost per GJ would not be material) • Producers potentially charged costs for the reform program and also required to 'act' to resolve potential or actual threat to reliability or adequacy of supply 	<p>Cost Reflectivity</p> <p>Non-discriminatory</p> <p>Recovery of AEMO's budgeted requirements on a specified basis</p>
<p>2. A separate fee that levies costs on a withdrawal / consumption basis</p>	<p>This approach would look to recover the costs of the ECGS reforms on a withdrawals / consumption basis from all Part 27 relevant entities charged on a \$ / GJ withdrawn / consumed. This approach is consistent with the recovery of costs for the trading function and any compensation for directions.</p> <p>It could be argued that consumers are the ultimate beneficiaries of this function and that in general, producers should already have the incentive to maximise supply in a shortfall scenario assuming markets are functioning in an efficient manner.</p> <p>PROS</p> <ul style="list-style-type: none"> • Simple single fee for recovering the costs of the program • Broad coverage (not just AEMO facilitated markets) of all ECGS demand and therefore beneficiaries of the reforms • Consistent with approach for recovery of trading and direction compensation already consulted on with market participants • Aligned with Part 27 relevant entity definition in NGR 	<p>NGO</p> <p>Simplicity</p> <p>Cost Reflectivity</p>

Option	Description	Indicative assessment against Fee Principles and the NGO
	<ul style="list-style-type: none"> A separate fee promotes transparency of the costs of the reform program <p>CONS</p> <ul style="list-style-type: none"> Requires additional data from pipeline operators on each shipper's share of deliveries to end-use delivery points Requires consideration when factoring in export demand to avoid exporters unfairly subsidising costs of the reform program without benefiting them Requires AEMO to establish new process / framework Producers not charged directly despite some marginal benefit from the reforms 	<p>Non-discriminatory</p> <hr/> <p>Recovery of AEMO's budgeted requirements on a specified basis</p>

Question 7

- Which of the options above would be an appropriate fee structure for the ECGS Reform Program?
- Are there other options that should be considered?

A1. Fee structure principles

Fee Structure Principle	Requirement	Application and examples
<p>National Gas Objective (NGO)</p>	<p>In determining Participant fees, AEMO must have regard to the national electricity objective.</p> <p>The objective of the NEL is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—</p> <p>(a) price, quality, safety, reliability and security of supply of electricity; and</p> <p>(b) the reliability, safety and security of the national electricity system</p>	<p>...“to promote efficient investment in, and efficient operation and use of, natural gas services for the long-term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.”</p> <p>The First Reading Speech to the NATIONAL GAS (SOUTH AUSTRALIA) BILL 2008 makes it clear that the NGO is an economic concept and should be interpreted as such.</p> <p><i>“The long term interest of consumers of gas requires the economic welfare of consumers, over the long term, to be maximised. If gas markets and access to pipeline services are efficient in an economic sense, the long term economic interests of consumers in respect of price, quality, reliability, safety and security of natural gas services will be maximised. By the promotion of an economic efficiency objective in access to pipeline services, competition will be promoted in upstream and downstream markets.”</i></p> <p>The Speech goes on to state that:</p> <p><i>“The long term interest of consumers of gas requires the economic welfare of consumers, over the long term, to be maximised. If gas markets and access to pipeline services are efficient in an economic sense, the long term economic interests of consumers in respect of price, quality, reliability, safety and security of natural gas services will be maximised. By the promotion of an economic efficiency objective in access to pipeline services, competition will be promoted in upstream and downstream markets.”</i></p> <p>The NGO is clearly a relevant consideration where AEMO has to exercise judgment or discretion in reaching its determination, for example, if there is a number of Participant fee structures each of which can satisfy the Fee Structure principles, or where the relevant provisions of the Rules are ambiguous.”</p>
<p>Simplicity</p>	<p>The structure of Participant fees should be simple</p>	<p>As “simple” is not defined in the Rules, it must be given its ordinary meaning as understood in the context of clause 135CA of the Rules. The New Shorter Oxford English Dictionary’s definition of “simple” (in this context) is: “not complicated or elaborate” and “plain, unadorned”. Whether a fee structure fits these definitions is largely a matter of judgement.</p> <p>There is a wide range of possible fee structures. There is no single identifiable point where “simple” becomes “complicated”.</p> <p>It is clear from this provision that a certain degree of complexity was envisaged in that the structure of Participant fees may involve several components and budgeted revenue consists of several elements. The structure of Participant fees need not demonstrate absolute simplicity.</p> <p>The simplest fee structures are unlikely to be consistent with the other criteria. However, it is possible to find fee structures that, while consistent with the other criteria, are relatively simple, in comparison to alternative structures.</p> <p>Further, AEMO considers that the use of the word “simple” in this context also involves a degree of transparency. AEMO considers that the simplicity principle means that the basis of the fee structure and its application to various Registered participants should be:</p> <ul style="list-style-type: none"> • straight-forward • easily understood by participants • readily applied by Registered participants and AEMO • foreseeable and forecastable in terms of impacts and costs.
<p>Cost reflectivity</p>	<p>The components of the fees charged to each Registered participant should be reflective of the extent to which the budgeted</p>	<p>Note that rule 135CA(4A) provides that the participant fees charged to a Registered participant (including a relevant entity) may include a component</p>

Fee Structure Principle	Requirement	Application and examples
	<p>revenue requirements for AEMO involve that Registered participant.³²</p>	<p>for the recovery of capacity trading and auction costs or east coast gas system reliability costs even if those costs do not involve that Registered participant.</p> <p>A 'relevant entity' under Part 27 should only be liable to pay participant fees for the purpose of recovering east coast gas system reliability costs and funding the trading fund under Part 27.</p> <p>In determining whether the extent to which the budgeted revenue requirement relating to a particular output involves a class of Registered Participant, AEMO relies on the experience and expertise of its general managers and staff, and considers factors such as the degree to which the class of Registered Participant:</p> <ul style="list-style-type: none"> • interacts with AEMO in relation to the output; • uses the output; • receives the output; and • benefits from the output. <p>AEMO also considers the how the revenue requirements have given rise to, or are caused by, that class of Registered Participant's presence in the market.</p> <p>AEMO must determine the structure of Participant fees "afresh".</p> <p>That is, it must freshly consider the application of the criteria in clause 135CA of the Rules and the NGL to the facts and analysis available to it at this time. In doing so, however, AEMO will have regard to its previous determinations under clause 135CA of the Rules, where appropriate.</p> <p>The principle of "reflective of extent of involvement" does not have a specialised meaning in economics. It is consistent with the economic notion of 'user pays' but as a matter of ordinary language, it indicates a degree of correspondence (between AEMO and its costs and participants) without connoting identity.</p> <p>However, this principle does not involve a precise degree of correspondence.</p> <p>Where fixed and common costs are involved, multiple registered participants may be involved with AEMO costs in relevantly similar ways.</p> <p>AEMO's analysis and experience shows that there are categories or classes of Registered Participants that share certain characteristics that mean that the way in which they interact with AEMO is likely to have the same or similar cost implications for AEMO.</p> <p>Where it is practical for AEMO to identify costs that are fixed or common in nature that can reasonably be allocated to a class or classes of Participants that share characteristics such that their involvement with AEMO's outputs is likely to have the same or similar cost implications, AEMO will seek to do so.</p>
<p>Non-discriminatory</p>	<p>The fee structure should not discriminate unreasonably against a category or categories of Registered participants.</p>	<p>In past Participant Fee determinations, AEMO adopted the following definition of discriminate:</p> <p><i>"Discriminate means to treat people or categories of people differently or unequally. Discriminate also means to treat people, who are different in a material manner, in the same or identical fashion. Further, "discriminate against" has a legal meaning which is to accord "different treatment ... to persons or things by reference to considerations which are irrelevant to the object to be attained".</i></p> <p>This principle allows AEMO to discriminate against a category or categories of Registered participants where to do so would be reasonable.</p> <p>Where a degree of discrimination between categories of Registered Participants is necessary or appropriate to achieve consistency with the other principles in clause 135CA of the Rules, or the NGL, the discrimination will not be "unreasonable".</p>

³² Subject to subrule 135CA(4A)

Fee Structure Principle	Requirement	Application and examples
		<p>In considering a past electricity fee structure determination, the Dispute Resolution Panel accepted that this principle is to be applied to the extent practicable and it is only unreasonable discrimination that offends.</p> <p>Note that although the decision related to Clause 2.11.1(b)(4) of the Electricity Code, clause 135CA of the Rules is substantially the same as the equivalent clause in the Electricity Code.</p>
Comparability	<p>In developing, reviewing and publishing, the structure of Participant fees, AEMO must have regard to other fee structures that AEMO thinks appropriate for comparison purposes.</p> <p>Note that this is not strictly a principle but is included for completeness in describing the matters for which AEMO must have regard.</p>	<p>Note that this is not strictly a principle but is included for completeness in describing the matters for which AEMO must have regard.</p> <p>Other relevant fee structures could include:</p> <ul style="list-style-type: none"> • National Electricity Market (NEM) fee structures for comparable markets or services • Other gas market fee structures such as Western Australia markets or globally • Other gas markets also the subject of this consultation process.

A2. Registered participants

Below is a summary of existing registered participants in each of AEMO's gas markets and functions.

Market	Registered participants
DWGM	<p>Market participant</p> <ul style="list-style-type: none"> • Retailer • Trader • Producer • Storage provider • Distribution customer • Transmission customer <p>Other participant roles</p> <ul style="list-style-type: none"> • Declared transmission system service provider (DTSSP) • Interconnected transmission pipeline services provider (ITPSP) • Distributor • Producer • Storage provider • Transmission customer
STTM	<p>STTM market participants</p> <ul style="list-style-type: none"> • STTM Shippers • STTM user
Retail	<p>NSW / ACT</p> <ul style="list-style-type: none"> • Network operator • Retailer • Self contracting user <p>QLD</p> <ul style="list-style-type: none"> • Distributor • Retailer • Self contracting user <p>SA</p> <ul style="list-style-type: none"> • Network operator • network operator (Mildura region) • Retailer • Self contracting user • Transmission system operator • Shipper <p>VIC</p> <ul style="list-style-type: none"> • Transmission system service provider • Distributor • Market participant - retailer • Market participant - other
GBB	BB participants

Market	Registered participants
	<ul style="list-style-type: none"> • BB reporting agent • BB reporting entity • BB shipper • Production facility • Transmission pipeline • Storage facility
PCT	<ul style="list-style-type: none"> • Trading participants • Part 24 Facility Operator • Part 25 Day ahead auction – Auction Participant
ECGS	<ul style="list-style-type: none"> • a Registered participant • an exempted participant • a producer who injects natural gas into the east coast gas system • a person who buys or sells natural gas in the east coast gas system • a gas powered generator • a storage provider whose storage facility is connected to the east coast gas system • a person who provides pipeline, transport, compression or other related services in, into or out of the east coast gas system