



INFORMATION

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Improving gas pipeline operator cost recovery processes

The Australian Energy Market Commission (AEMC) has made a draft rule that aims to better promote the efficient operation and use of the cost recovery process for pipeline operators seeking to recover the costs of providing MOS allocation services in the Short Term Trading Market (STTM) and aggregation and information services in the national gas market Bulletin Board (BB).

Invitations for submissions

The Commission invites submissions to its draft rule determination, including draft rule, by 16 May 2013.

The Commission's draft (more preferable) rule

The draft rule is a more preferable rule which incorporates several of the changes proposed in the AER's rule change request. It also makes a number of additional amendments to further promote efficiency in the operation and use of the pipeline operator cost recovery provisions in the national gas rules (NGR). The key features of the draft rule are as follows:

- **Approach to assessment:** The draft rule retains the current requirement on pipeline operators to submit costs and, where required, the relevant body to assess costs, by reference to 'reasonable' costs.
- **Decision making body:** Responsibility for decision making on the amounts payable to pipeline operators in respect of MOS allocation service costs and aggregation and information services costs will be transferred from AEMO to the AER.
- **Trigger for assessment:** All cost invoices submitted by pipeline operators for payment by AEMO will be subject to AER oversight which could include a more detailed assessment where the AER considers there is benefit in doing so. To this end, the objection mechanism will no longer act as trigger for the assessment process.
- **Timeframes for assessment:** The AER will be provided with a period of 30 business days within which to review pipeline operators' cost invoices and to undertake a more detailed assessment of a cost invoice, where appropriate. In addition, AEMO must pay any amount the AER has determined payable to a pipeline operator within 10 business days of the AER publishing its determination.
- **Information requirements:** Pipeline operators will be required to submit evidence with their cost estimates and invoices to demonstrate that the costs specified reflect reasonable costs. AEMO will be required to publish pipeline operator's cost estimates and invoices, including evidence, within five business days of receipt.
- **Definitions of claimable costs:** The changes proposed by the AER to clarify the definitions of MOS allocation service costs and BB aggregation and service costs have been included in the draft rule.

In addition, the draft rule has made corresponding changes to the cost recovery process in relation to the BB such that the process for assessing pipeline operators' aggregation and information services costs is consistent with the amended MOS allocation service cost recovery process. A detailed description of the draft rule is provided in the Commission's draft rule determination.

Commission's reasons

The Commission considers that, on balance, the proposed rule would likely provide a more efficient cost recovery process relative to the current rules. However, having had regard to the views of stakeholders in submissions to the consultation paper, and having undertaken its own analysis and review, the Commission considers that a more draft rule is likely to better contribute to the achievement of the national gas objective (NGO) than the AER's proposed rule.

Detailed reasons for the Commission's decision are provided in the draft rule determination.

Background

Cost recovery processes for gas transmission pipeline operators exist in the NGR in relation to the provision of:

- MOS allocation services in the STTM; and
- pipeline aggregation and information services in the BB.

These services relate to the provision of certain information by pipeline operators to AEMO to assist in operation of the market. On this basis, the NGR allows for pipeline operators to recover the costs associated with the provision of these services from other market participants via AEMO.

Examples of the costs which a pipeline operator may seek to recover include: project management costs (for example, the time it takes an employee to process the steps for MOS allocation services), IT support costs and legal and regulatory compliance costs.

The rule change request was initiated following the first practical application of the MOS allocation service cost recovery arrangements by AEMO in 2010-2011. At this time, AEMO and the AER identified a number of issues with the existing assessment process. Consequently, the AER submitted this rule change request to improve the efficiency and operation of the cost recovery processes for pipeline operators providing the MOS allocation service in the STTM and aggregation and information services in the BB

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