



INFORMATION

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Improving gas pipeline operator cost recovery processes

The AEMC has made a final rule which establishes a single process for the recovery of costs by pipeline operators providing information services in the Short Term Trading Market (STTM) and on the National Gas Market Bulletin Board (Bulletin Board). As a result of the final rule, gas market participants will not pay the costs incurred by pipeline operators in providing the MOS allocation service, and aggregation and information services, without the Australian Energy Regulator (AER) having first reviewed the costs to ensure they are reasonable.

The Commission's final rule

The final 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 final rule are as follows:

- **Approach to assessment:** The final rule retains a requirement on pipeline operators to submit costs and, where required, the relevant body to assess costs, by reference to 'reasonable' costs.
- **Decision making body:** The AER, rather than AEMO, has responsibility for decision making on the amounts payable to pipeline operators in respect of MOS allocation service costs and aggregation and information services costs.
- **Trigger for assessment:** All cost invoices submitted by pipeline operators for payment by AEMO will be subject to AER oversight which may include a more detailed assessment where the AER considers there is benefit in doing so. To this end, the objection mechanism no longer acts as trigger for the assessment process.
- **Timeframes for assessment:** The AER must review pipeline operators' cost invoices and, where appropriate, undertake a more detailed assessment of a cost invoice, within 30 business days of receiving the invoices. In addition, AEMO must pay pipeline operators the amounts determined payable by the AER within 10 business days of the AER publishing its determination.
- **Information requirements:** Pipeline operators must submit evidence with their cost estimates and invoices to demonstrate that the costs specified reflect reasonable costs. AEMO must 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 Bulletin Board aggregation and service costs have been included in the final rule.

The new arrangements will promote efficiency in the operation and use of the pipeline operator cost recovery provisions.

In addition, the final rule has made corresponding changes to the cost recovery process in relation to the Bulletin Board 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 final rule is provided in the Commission's final rule determination.

Commission's reasons

The Commission considers that, on balance, the proposed rule would be likely to provide a more efficient cost recovery process relative to the current rules. However, having had regard to the views of stakeholders in submissions and having undertaken its own analysis, the Commission considers that the final 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 final 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 Bulletin Board.

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 for costs incurred 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 Bulletin Board

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