



Pipeline operator cost recovery processes

Consultation paper: 6 December 2012

Today the AEMC announced it would commence consultation on a rule change request submitted by the Australian Energy Regulator which seeks to improve the efficiency and operation of the process for the recovery of costs incurred by pipeline operators in relation to the market operator service allocation service and bulletin board aggregation and information service.

Rule change proposal

On 1 June 2012, the Australian Energy Regulator (AER) submitted a rule change request to the AEMC in relation to pipeline operator cost recovery processes in the National Gas Rules (NGR). Specifically, the AER proposes to amend the process for the recovery of costs incurred by pipeline operators providing the market operator service (MOS) allocation service in the short term trading market (STTM), and the aggregation and information service in the National Gas Market Bulletin Board (BB).

Rule change process

A consultation paper has been prepared by AMC staff to facilitate public consultation on this rule change request. This paper:

- sets out a summary of, and background to, the rule change request;
- identifies a number of questions and issues for consultation; and
- outlines the process for making submissions on this rule change request.

Submissions to this rule change request and consultation paper are due by 24 January 2013.

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.

Details of the rule change request

The rule change request was initiated following the first practical application of the MOS allocation service cost recovery arrangements by AEMO in 2011. At this time, AEMO and the AER identified a number of issues with the existing assessment process.

To address these issues, the AER proposes the following changes to the NGR:

- Amend the roles of the AER and AEMO such that, if an objection to the payment of an invoice is raised by an interested party, the AER (rather than AEMO) will be the decision maker and inform AEMO of the amount payable.
- Amend the rules to require the AER (as decision maker) to apply an efficiency test, rather than a test of reasonableness, in determining the appropriate level of MOS allocation service costs.
- Amend the rules to require that the evidence included with a pipeline operator's costs estimates and invoices provides justification that invoiced costs reflect efficient costs that could be expected to be, or would have been, incurred by a prudent operator.
- Amend the rules to provide the AER with a period of 60 business days to assess an invoice, with the ability for the AER to extend this deadline by a further 30 business days if required. The clock would start upon receipt of a request from AEMO to make a determination.
- Include a definition of 'MOS allocation service' to clarify that only the costs associated with allocating pipeline deviations as MOS or overrun MOS (in accordance with rule 421) are recoverable under the process set out in rules 424 and 425.
- To the extent that changes are made to the process in rules 424 and 425, amend rules 197 and 198 (relevant to the BB) to reflect those changes. In addition, include a definition of 'aggregation and information service costs' to clarify that only the costs incurred by a pipeline operator in providing BB aggregation and information services are recoverable under the process set out in rules 197 and 198.

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