

Application of the Industry Levy to fund the AER and AEMC

Discussion Paper

Ministerial Council on Energy Standing Committee of Officials

March 2004

Application of the Industry Levy to fund the AER and AEMC

The Ministerial Council on Energy's Standing Committee of Officials (SCO) is seeking specific comments and/or views on the range of issues discussed in the paper to inform the development of policy actions by the MCE. SCO is interested in obtaining the views of all stakeholders.

The consultation process will comprise two similar consultation sessions on 23 and 24 March 2004, as advised in [Bulletin No. 3](#), and the opportunity to provide written comments to the SCO by Wednesday 7 April 2004.

Please include your name, address, organisation, and contact details, including your email address, if applicable, on your submission. Wherever possible, submissions should be provided electronically.

To ensure the SCO is able to consider all views within the work program timeframe, it is requested that written submissions be limited to five pages. Any supporting documents should be clearly labelled as attachments.

It is intended to make electronic submissions publicly available on the Ministerial Council of Energy website at the end of the process. If you do not want all or part of your submission made publicly available, or you consider any part of your submission to be confidential or commercial-in-confidence, you should make this clear in your submission.

Submissions should be received by 7 April and addressed to:

Industry Levy
C/- MCE Market Reform
Department of Industry, Tourism & Resources
GPO Box 9839
CANBERRA ACT 2601
Facsimile: (02) 6213 7110
Email: MCETMarketReform@industry.gov.au

Please direct any enquiries regarding the consultation process to Neville Henderson, on (03) 8603 3765.

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1. Introduction

The purpose of this paper is to discuss the principles that could be applied in the development of cost recovery arrangements for the AEMC and AER. Examples of international and Australian case studies in the funding of rule making and regulatory bodies are also presented.

The Ministerial Council on Energy (MCE), in its report of 11 December 2003 to the Council of Australian Governments, recommended that the “funding for the AER and the AEMC will be through appropriate industry levies approved by the MCE”. Consistent with the agreed reform implementation timing, such funding arrangements would need to start from July 2004 for the electricity sector and from July 2005 for the gas sector.

For the purposes of this consultation paper it is assumed the AEMC and AER will be required to recover all of their costs through a combination of ‘fee for service’, a ‘licence fee’ or a ‘levy’ on industry participants.

This paper does not address the legal or constitutional constraints that might impact upon the choice between these approaches or their design or means of application.

Comment is sought on all aspects of this discussion paper, with emphasis on key areas such as the identification of the most economically efficient mechanisms for the cost recovery and an analysis of the administrative efficiency and practicality of these options.

2. Background and Objectives

In determining the financing arrangements for the AEMC and AER, there are a number of objectives against which various options for a funding mechanism could be considered. The funding mechanisms should seek to foster the following objectives:

- Promote economic efficiency;
- Promote competition within and between each energy sector;
- Facilitate equity between industry participants, and between end users;
- Provide transparency to the energy sector, and in particular to the stakeholders who financially support the funding mechanism;
- Provide an incentive for the AEMC and AER to be financially responsible and to fulfil their legislative functions in an independent manner;
- Provide an incentive for energy sector participants to behave in a responsible manner within the constraints provided by legislation and associated regulations, without excessive recourse to appeals mechanisms.

The following economic and financial principles are assumed as design objectives in the funding mechanisms. These principles are that:

- the funding mechanisms should be simple to understand;
- the financial impact of the funding mechanism on any industry participant should be predictable and be able to be estimated by industry participants;
- economic efficiency should be promoted by:
 - attributable rule making and regulatory costs being borne by those industry participants who give rise to the costs;
 - allocation of rule making and regulatory costs (where necessary) occurring on the basis of a metric which relates to the cause of the cost;
 - where rule making and regulatory costs are fixed, rather than variable, allocations to industry participants should not create barriers to new entrants to the energy sector;
 - fees (prices) for cost recovery being set on the basis of recurring rule making and regulatory expenditures; and
 - fees (prices) to recover the costs of extra-ordinary and/or one-off events, such as the set-up of the AEMC and AER and appeals to arbitration or legal appeals

processes, being recovered from industry participants using similar principles and mechanisms to ongoing costs;

- that financial efficiency should be promoted by:
 - full cost recovery for the AEMC and AER;
 - transparency of the AEMC and AER budget setting process to industry participants and consumers; and
 - independent approval of the AEMC and AER budget.

Simplicity in the funding mechanism means that industry participants are better able to understand the basis for setting the level and structure of a fee and who is liable to pay that fee. Industry participants should also be able to anticipate the level of fees in preparing their own financial budgets. This will improve certainty and transparency.

Economic efficiency is improved when the fee structure does not arbitrarily allocate activity costs to an industry participant who does not directly influence the AEMC's and AER's cost of performing that activity. Where costs are substantially fixed and common they should be allocated to the appropriate industry sector or industry participant group. The attribution of as many costs as possible, directly to the industry participants who cause them is likely to assist economic efficiency.

In addition, where fees for service are levied on industry participants competing in an energy market, this may adversely impact on the probability of their being able to pass on all these rule making and regulatory costs to customers. Where competition exists and in the absence of a form of regulated pass-through, this difference in the ability of market participants to pass on costs may result in economic decisions that are contrary to the desired behaviours in a competitive market. The absence of such distortions is likely to improve economic efficiency.

It would appear to be better from an economic efficiency point of view if the fees are structured so that the majority of non-attributable costs are borne by end users (eg: consumers) in a manner which least distorts their purchasing decision. In addition it should be recognised that all of the costs of the energy sector are ultimately borne by the consumer. Thus it would appear preferable for the common costs of the AEMC and AER to be recovered in a more direct manner from end users. This could be through those industry participants which operate in the monopoly or near monopoly segments of the energy sector, and outside those segments in which competition pays an important role in cost efficiency.

The fee structure used for AEMC and AER cost recovery needs a form that is least likely to create a barrier to entry for new energy market participants (eg: new generators or retailers). In addition, cost pass through arrangements applied by industry participants should be structured to avoid barriers to competitive choice by end users.

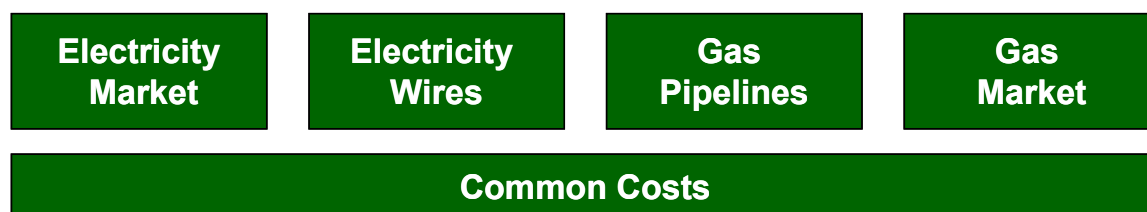
3. Economic and Financial Principles for Funding

The discussion of the fee structure for the AEMC and AER would be facilitated by discussion in the following areas.

3.1 Identifying the Cost Pools

In identifying the funding mechanism for the AEMC and AER, it will be necessary to define the components of their cost structure based on the major rule maker or regulatory activities which they perform. The costs for such activities can be gathered into primary cost pools. While the organisational structure is not as yet known the activities of these bodies will be based on the administration of their rule maker or regulatory obligations. For the purposes of this paper, the normal (or standard) activities undertaken by each body and the associated costs are assumed to be able to be categorised into five primary cost pools (see Figure 1).

Figure 1 : Primary Cost Pools Used by AEMC and AER to Establish Cost Base



The types of activities leading to costs which are included in each cost pool are suggested by the related activities as follows:

- **Electricity Market Activity Cost Pool** – The activities which give rise to this cost pool relate to the rule making and regulatory functions relevant to generators, electricity retailers and other registered electricity market participants;
- **Electricity Wires Activity Cost Pool** - The activities which give rise to this cost pool relate to the rule making and regulatory functions relevant to transmission, regulated interconnector and distribution networks;
- **Gas Pipeline Activity Cost Pool** - The activities which give rise to this cost pool relate to the rule making and regulatory functions relevant to specific transmission pipeline, regulated interconnector and distribution networks;
- **Gas Market Activity Cost Pool** - The activities which give rise to this cost pool relate to the rule making and regulatory functions relevant to gas retailers and other gas market activities;
- **Common Cost Pool** - The activities which give rise to this cost pool relate to the costs such as :

- general administrative functions (ie: management, human resource, and finance and general administration functions);
- staff retained for activities which are non-attributable to specific energy sub-sector rule making and regulatory activities; and
- other rule making or regulatory activities or functions which are generic to the energy sector and cannot be attributed in a meaningful way to either sector.

A distinction was made relating to the nature of the activity which allows the costs to be separated into the above cost pools, ie: they were categorised as “normal” (or standard) activities undertaken by each regulator. Some activities are not of this nature and are better categorised as “extraordinary” (or non standard). Such activities include the establishment of a new body, defending an appeal through an arbitration or legal process, or implementing a new function (eg: assumption of distribution and retail responsibilities). Feedback to this paper should consider how these extraordinary costs might be included in funding arrangements.

Both bodies will need to monitor their internal costs and activities. This is likely to require identification of costs by internal business unit or “branch” structure and function, and by activity or assignment.

3.2 Considering Appropriate Cost Drivers for the Cost Pools

A separate issue is to identify the cost drivers of the AEMC and AER’s cost pools. To the extent that a cost pool is identified as having a cost driver, the fee structure should include a component which relates to that cost driver. For example, the market regulator will have to manage a dispute resolution process. All or a large part of the costs associated with normal functions would be recovered from the industry sector which benefits from that activity. Alternatively extra ordinary costs such as dispute resolution could be recovered via a specific fee for that service. Indeed cost recovery could go further and may relate to the length of time that a particular dispute remains unresolved and the effort required in assisting resolution of that dispute could be directly tied to the fee for that particular dispute.

It should also be recognised that the AEMC and AER may derive incremental revenues from activities such as sales of publications and hosting industry conferences. These incremental revenues should be factored into the cost recovery for the AEMC and AER activities. Feedback is also sought on how incremental revenue sources could be incorporated with specific fee structures.

3.3 Understanding the nature of the Costs

The costs of the AER and the AEMC will be either:

- Variable;
- Fixed;
- Joint;

- Common; or
- Sunk.

Costs of these different natures will impact on the appropriateness of alternative cost recovery mechanisms.

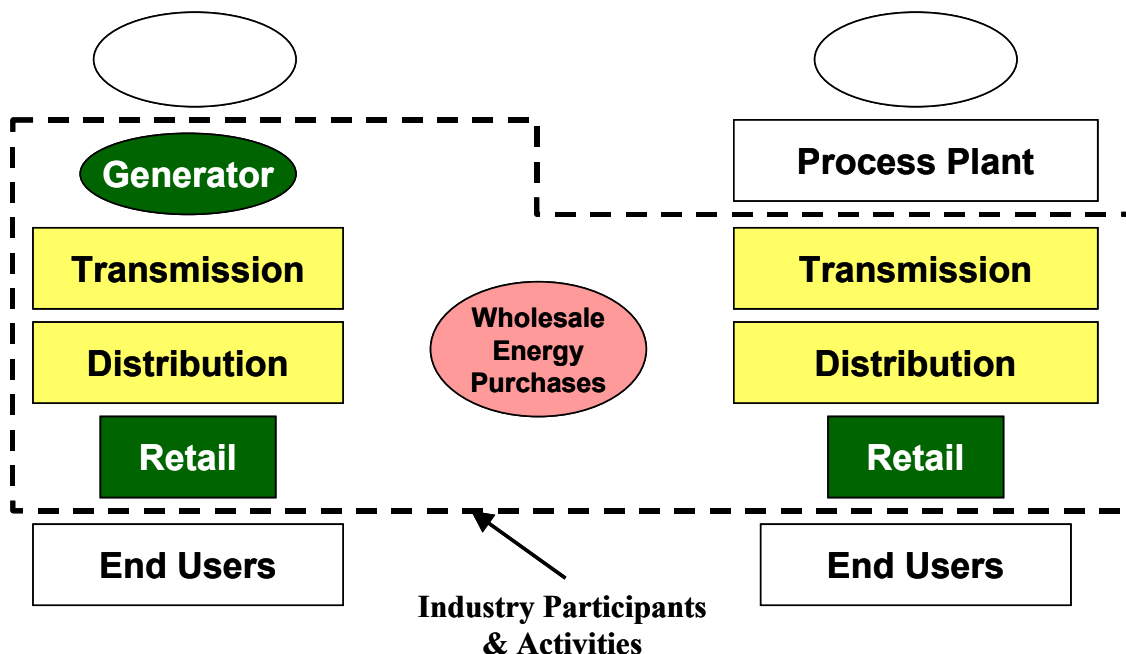
The other aspect of costs which may be important is the directness or attribution of those particular costs to a particular activity. For example, the directly attributable costs of any regional AEMC and AER offices could be allocated across the segments and networks which operate in that region while directly attributable costs to a particular network could be allocated only to that network.

Feedback is sought on the degree of detail captured and the transparency provided on the costs for efficient industry rule making and regulation.

3.4 Assigning Costs to Fee Components

In order to discuss the various approaches to the revenue recovery and the attribution and allocation of cost recovery to various industry participants, it is necessary to adopt a simplified categorisation of the two competitive energy sectors under consideration¹. Figure 2 indicates in general terms the industry participants who may in one form or other support the costs of the AEMC and AER.

Figure 2 : Energy Sector Industry Participants & Activities



¹ The assumption is that bottled gas and its distribution, and transport fuels and their distribution, and generator fuel sources are not part of the energy sectors which are regulated by the AEMC and AER, and hence are not included in the cost recovery analysis.

Note that for simplicity of discussion that licensed market participants such as energy traders are considered to be “retailers” for cost recovery purposes. Also the industry activity related to wholesale energy purchases needs to be considered in the discussion of cost recovery.

The ‘wires businesses’ in the electricity sector and the ‘pipes businesses’ in the gas sector are considered to operate as effective monopolies and are heavily regulated by the Federal or State bodies. Because of the current arrangements these businesses may be more easily able to pass through rule making and regulatory fees which might be imposed upon them.

In contrast, the ‘generator and retail businesses’ in the electricity sector and the ‘retail businesses’ in the gas sector, tend to operate in a market for energy (albeit with very different rules and form, eg: electricity pool versus gas capacity and/or delivery contracts), except for those residual regulatory elements related to non-contestable customers and safety net tariff arrangements which continue in some jurisdictions. Given the ability for most end users to “choose” alternative energy providers, there is little opportunity to pass through rule making and regulatory cost recovery in an equitable manner which does not distort the market between regions and indeed between customer segments. As such the ability to recover rule making and regulatory costs through imposts in the energy markets may distort market and end user choices, and thus may lead to economically inefficient outcomes.

It should be recognised that ultimately, it is the end user who pays for all efficient costs in the supply chain. Given these end users (in most circumstances) have access to choice in alternative energy providers (including in some circumstances substitutability between energy types), mechanisms for cost recovery should provide the “least” distortion on the end users ability to choose an energy type and/or supplier in an economically efficient manner.

3.4.1 Consideration of Cost Recovery from Industry Participants

When converting costs to price, economic efficiency is achieved practically through adoption of ‘user pays’ principles for attributable costs or costs ‘caused’ by that entity (without excessive allocation of non-attributable costs which cannot be reasonably controlled through actions of the entity bearing the ‘fee for service’).

Financial efficiency is achieved through the adoption of a full cost recovery mechanism, where non-attributable costs are allocated in a manner to achieve full cost recovery but with least distortion to market prices for energy. Full cost recovery must be achieved without introducing financial barriers to entry or exit from an energy form or choice for an alternate supplier.

There appear to be four general approaches for allocating costs to industry participants which meet the objectives and principles discussed above. These are:

- | | |
|--------------------------|--|
| Direct, variable costs - | User pays fee for service, based on a variable charge. |
| Direct, fixed costs - | User pays fee for service, based on a fixed, periodic or postage stamp charge. |

Joint ² , variable or fixed costs -	Allocate to industry participant group of industry sub-sector in a manner which provides an incentive for them to behave in a responsible manner to support fair competition in relevant markets, based on either a variable charge or a fixed, periodic or postage stamp charge.
Common, variable or fixed costs -	Allocate to energy end users based on a variable charge which provides equity and reduces barriers to choice by end users. Alternatively allocate these costs as closely as possible to end users through an industry participant which is not competing in a market, based on a fixed, periodic or postage stamp charge.

Note the “directness” of an attributed cost could be direct to an industry participant (eg: the regulatory reset of an electricity transmission business), or to a group of industry participants (eg: alteration of electricity generator dispatch rules in the National Electricity Code (NEC) are direct to all generators operating under the NEC), or to an industry sub-sector (eg: change to the regulatory price control arrangements for gas network access pricing), or to an industry sector (eg: redrafting the National Third Party Access Code for Natural Gas Pipeline Systems).

Both the cost allocation mechanism and the charge structure used by the AEMC and/or AER could be based on a number of energy sector metrics which include:

- Energy throughput measured in sector specific terms eg: MW, MWh or GJ;
- Thermal efficiency adjusted energy throughput which accounts for the calorific potential delivered to the end user (assuming a common energy usage), eg: Joules;
- End User numbers connected;
- Number of sub-sector industry participants;
- Transmission capacity reserved or used, eg: MW or GJ;
- Peak load reserved or used, eg: MW or GJ;
- Electricity voltage or gas pressure delivered, eg: kV or kpa;
- Gross revenues (a measure of market importance);
- Net revenues (a measure of profitability and ability to pay);

² Here a “joint” cost is one related to (say) a sub-sector (it is joint or common to the sub-sector), rather than a common cost which exists because the regulator exists.

- Other.

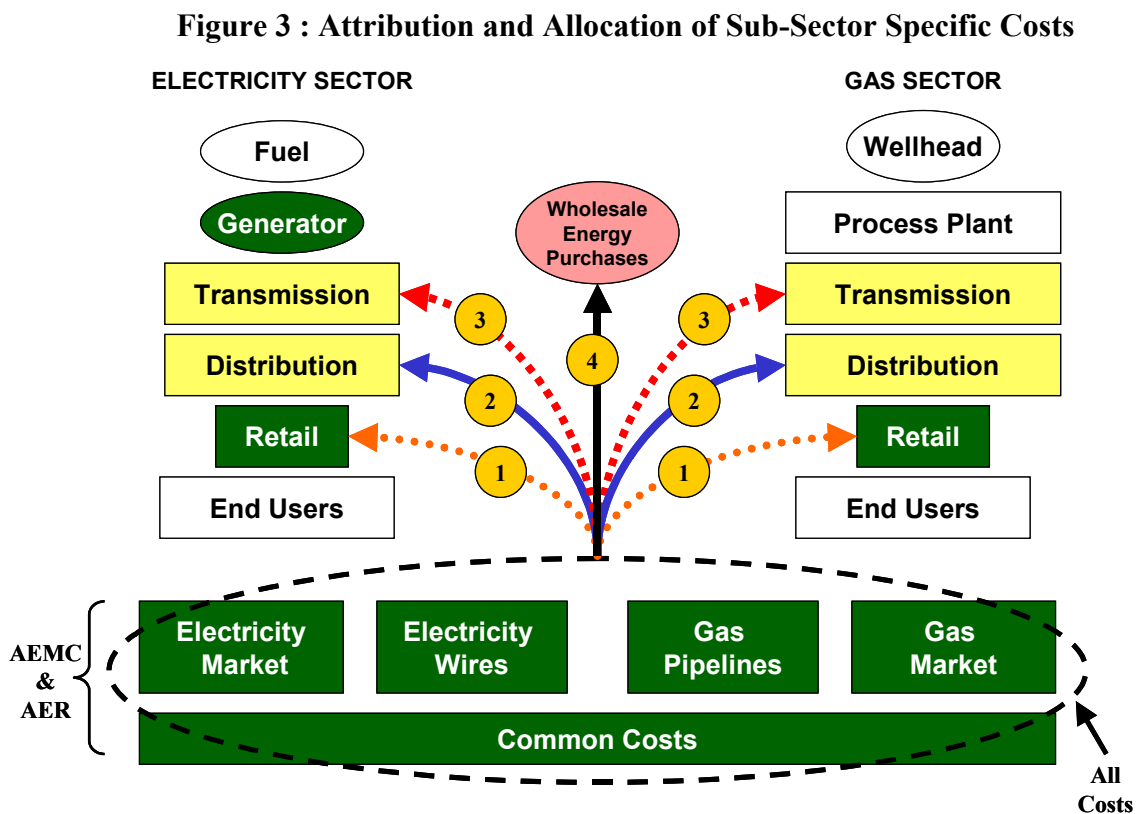
It should be noted that once an industry participant is charged a fee for services provided, it must then determine how it will recover these costs from its customers. Transparency of costs and charging mechanisms may add industry participant pressure to assist with efficient delivery.

Given these options for both allocating and recovering the costs, the next area to analyse is the options available for various combinations of cost pool and revenue recovery mechanisms. This is covered in the following section.

3.5 Options for Cost Recovery

There are a number of ways in which cost recovery could occur from industry participants or industry activities. Figure 3 indicates that at a high level of consideration there are possibly four ways for the AEMC and AER to recover their costs. These are from fees or levy charged to:

1. The electricity and gas retailers;
2. The electricity and gas distribution businesses;
3. The electricity transmission networks and gas transmission pipelines; or
4. The industry activity related to wholesale energy purchases.



Alternative mechanisms for cost recovery from industry participants or industry activities should be considered against the principles and objectives in Section 2 above.

Where the costs are recovered from fees charged to any of the industry participants or industry activities, the primary issue needing resolution is what competitively neutral method of allocating costs between the electricity and gas sectors should be used.

Examples of some allocation methodologies (based on operational metrics) which could have the desired property of competitive neutrality between energy sectors are as follow:

- Delivered energy (GJ);
- Calorific efficiency-adjusted delivered energy (GJ);
- Gross revenue (\$); or
- Net Revenue (\$).

Alternative approaches, not based on operational metrics, could include a licence fee, structured appropriately for different market participants.

Comment is sought on the allocation methodology used to attribute cost recovery between energy sectors in a competitively neutral manner.

The secondary issue which needs resolving is a means of allocating the sector cost recovery between industry participants and industry activities in the relevant energy sector. The following paragraphs provide an overview of the potential impacts of seeking cost recovery from different industry participants and industry activities.

3.5.1 Impacts of Recovery from Retailers

Here the operational metrics are less of an issue. More standard measures could be used, such as delivered energy for electricity retailers in kW, and delivered energy for gas retailers in kJ.

Retail businesses operate under competitive market arrangements. End users can choose alternative suppliers where they perceive better value in energy purchases. Cost recovery allocation mechanisms which foster competitive neutrality need to be considered.

The transaction costs for this approach are reasonably small because one of the retailers' business skills is the billing and recovery of costs from end users. The incremental charge and cost associated with retailers recovering the rule making and regulatory costs appears to be reasonably low.

Comment is sought on the issues raised by having retailers recover rule making and regulatory costs.

3.5.2 Impacts of Recovery from Distribution Businesses

Here the operational metrics usually relate to the amount of energy transported through the distribution networks. Energy transportation measures could be used, such as delivered energy for electricity retailers in kW, and delivered energy for gas retailers in kJ.

Again competitive neutrality between distribution businesses within a particular energy sector needs to be considered.

The incremental transaction costs for this approach are negligible because the cost recovery is included with other network charges to the retailers as customers of the distribution networks, who in turn seek cost recovery from end users through the retail billing procedures. The impact of the incremental costs associated with distribution businesses recovering the rule making and regulatory costs appears to be insignificant

Comment is sought on the issues raised by having distribution businesses recover rule making and regulatory costs.

3.5.3 Impacts of Recovery from Transmission Businesses

Here the operational metrics usually relate to the peak power / load or capacity available or contracted from the transmission networks. Transmission capacity measures could be used, such as peak coincident or non-coincident load for electricity transmission networks in MW, and contracted or delivered capacity for gas transmission networks in GJ per peak hour or GJ per day.

Again competitive neutrality between transmission businesses within a particular energy sector needs to be considered.

The incremental transaction costs for this approach are small because the cost recovery is included with other network charges to the distribution businesses as customers of the transmission networks, and then on retailers as customers of the distribution networks, who in turn seek cost recovery from end users through the retail billing procedures. The impact of the incremental costs associated with transmission businesses recovering the rule making and regulatory costs appears to be very small

Comment is sought on the issues raised by having transmission businesses recover rule making and rule making and regulatory costs.

3.5.4 Impacts of Recovery from Wholesale Energy Purchases

Where the rule making and regulatory costs are recovered from fees charged to the respective wholesale energy purchase activities in each energy sector, the issue becomes the ability for the industry participants operating in the wholesale energy purchase markets being able to recover these costs within the market place. Where strong competition exists, the ability of market participants to pass through additional rule making and regulatory costs to end users may be limited. Consideration of cost recovery mechanisms which least distort the outcomes of competition within and between energy sectors, would assist in improving economic efficiency.

Comment is sought on the issues raised by having rule making and regulatory costs recovered through the wholesale energy purchase activities.

4. Fee Procedures and Processes

In developing future changes to the AEMC and AER fee structure after their initial establishment, consideration should be given to adopting a transparent review procedure, including consultation with industry participants.

A periodic consultation process (eg: every 3 to 5 years) which could be considered for a fee structure review procedure might involve the following steps:

- Liaise with the MCE on its expectations and the timing for a consultation process on fee structures;
- Publish a notice identifying that the fee structure is to be reviewed, invite public submissions, conduct a public meeting, and provide a time frame for the consultation process and to publish the final determination on the structure;
- Prepare and publish an initial terms of reference and issues paper for the development of the fee structure identifying the different options and issues to be considered and commented upon;
- Receive written submissions from industry participants and other interested parties (eg: consumers, end users, universities, governments) on matters raised in the issues paper;
- Conduct one or more public meetings to facilitate discussion on the matters raised in the written submissions and invite interested parties to attend;
- Develop recommendations for the fee structure after considering the matters raised in the written submissions and public meetings;
- Present a summary of the consultation findings and recommendations on the fee structure;
- Incorporate feedback from the MCE and prepare final fee structure arrangements;
- Issue a final recommendation; and
- Promulgate the fee / levy.

Feedback is sought on the means and frequency of a fee structure review.

5. International and Australian Case Studies

Appendix A presents case studies for the following Australian regulatory organisations or processes:

- Australia;
 - Australian Competition and Consumer Commission;
 - Essential Services Commission (“ESC”, Victoria);
 - Independent Pricing and Regulatory Tribunal (“IPART”, New South Wales);
 - Queensland Competition Authority;
 - Office of the Tasmanian Energy Regulator;
 - Independent Competition and Regulatory Commission (ACT);
 - Essential Services Commission of South Australia;
 - Economic Regulation Authority (Western Australia); and
 - NEMMCO (Australian electricity market coordinator).

Appendix B presents case studies for the following international regulatory organisations:

- USA - Federal Energy Regulatory Commission (FERC); and
- United Kingdom – Office of Gas and Electricity Markets (OFGEM).

Appendix A Australian Case Studies

Note: All numbers for this Appendix in A\$.

Australian Competition and Consumer Commission

Regulatory	
<p>Service</p>	<p>An independent statutory authority, the ACCC administers the Trade Practices Act 1974 and has additional responsibilities under other legislation, namely:</p> <ul style="list-style-type: none"> • Broadcasting Services Act 1991 • Telecommunications Act 1997 • Telecommunications (Consumer Protection and Service Standards) Act 1999 • Australian Postal Corporation Act 1989 • Trade Marks Act 1995 • Airports Act 1996 • Gas Pipelines Access (Commonwealth) Act 1998. <p>It is the national agency responsible for enforcing the provisions of the Trade Practices Act 1974 applying to anti-competitive and unfair market practices, mergers or acquisitions of companies and product safety/liability. The ACCC also regulates national infrastructure services such as third party access to facilities of national significance and pricing of monopoly services.. Industry sectors regulated include energy, telecommunications and transport.</p>
<p>Method of Service Provision:</p> <p>Extent to which service are sourced internally and/or externally eg. legal services, administration, IT services, industry research etc</p> <p>Expected changes in the methods of service provision in the future</p>	<p>Staff: The total staff employed during the year 2002/03 was 540, located in nine offices in Australia, one in each state and territory and in Townsville. The average staffing levels during this year was 468.70.</p> <p>Consultants: During 2002/03 92 consultants were engaged during the year 2002/03 with a value of \$2.85 million (3.89% of total expenses). The main skill categories for which consultants were engaged were information technology, economic expertise and industry expertise. A total of \$229,443 was paid in contracts with creative advertising agencies.</p> <p>Expected changes: unknown</p>
<p>Funding:</p> <p>Level of funding.</p> <p>Source of funding for activities.</p>	<p>During the financial year 2002/03 the ACCC received funding of \$62.56 million, including \$1 million for the litigation reserve fund and \$0.7 million additional funding to undertake increased regulatory oversight of Australia Post and to monitor medical indemnity insurance premiums. It incurred a net operating loss of \$10.2 million, principally due to legal expenses exceeding budget.</p> <p>The \$62.56 million in funding was sourced from the Commonwealth Government Parliamentary appropriations (this comprises 99% of revenues from ordinary activities). The ACCC also received \$60,000 of resources free of charge (services received free of charge and contributions of assets at no cost of acquisition are recognised at their fair value), \$534,000 from the sales of goods and services, \$54,000 from interest revenue and \$3,000 from sale of assets.</p>
<p>Fees/Licences</p> <p>Fee structure (if applicable)</p> <p>Principles driving fee structure</p>	<p>During 2002/03 the ACCC collected \$352,000 in authorisation fees for applications for authorisation of anti-competitive conduct under the Trade Practices Act 1974.</p>

Essential Services Commission (State of Victoria)

Regulatory	Essential Services Commission (formerly Office of the regulator General) (Victoria)
Service	Independent economic regulator of prescribed essential utility services supplied by the electricity, gas, ports, grain handling and rail freight industries. The ESC also regulates Victoria's water and sewerage services from 1 January 2003.
Method of Service Provision: Extent to which service are sourced internally and/or externally eg. legal services, administration, IT services, industry research etc Expected changes in the methods of service provision in the future	Staff: As at 30 June 2003 the ESC employed 42 staff, excluding the Commissioners and outsourced services and contractors. Consultants: The ESC uses consultants with relevant experience and qualifications. In 2002/03 the cost of consultants was \$2,668,978. In 2002/03 the ESS used 68 consultancies, incurring expenditure of \$2,239,607 and paid fees of \$423,371 for three consultancies (each in excess of \$100,000).
Funding: Level of funding. Source of funding for activities.	During 2002/03 the ESC had an operating budget of \$17.2 million and actual operating expenditure was \$11.5 million. During 2001/02 this was \$20.2 million and \$14.0 million respectively. During 2002/03 the ESC received \$12,233,501 in grants from the Department of Treasury and Finance, and \$5,000 in other grants, and \$15,501 in resources received free of charge. Nearly 100% of the ESC's funding is by accruals based Parliamentary appropriations from the Consolidated Fund. Funds are received in the form of grants from the Department of Treasury and Finance. Less than 0.1% of funding comes from resources received free of charge. The ESC does not derive any user charges, fines or fees that constitute revenue to the ESC. It collects licence fees and public speaking fees on behalf of the state, however such revenue is paid into the Government's Consolidated Fund. There is no apparent or explicitly stated connection between the level of user fees and the size of the Government grant.
Fees/Licences Fee structure (if applicable)	The ESC acts on behalf of the Victorian government in collecting licence fees under the relevant legislation that is administered by the ESC, in addition to fees revenue from public speaking engagements. Licence fees for electricity and gas are determined by the Minister for Finance. There are no explicitly stated principle driving the calculation of licence fees. For 2001/02, fees were as follows: Electricity: - generation: determined on a scale according to MW generated (categories <200 MW: \$5901, 200-999 MW: \$11,803, 1000+ MW: \$17,704) - retail: for contestable, determined according to no. of customers (<250: \$9925, 250-1000: \$18,850, >1000: \$708,874) - transmission: statewide (\$35,866), interconnector (\$12,983) - distribution: \$501,612 - inset distribution: \$50,164 - trader: \$7,082

Principles driving fee structure	<p>Gas:</p> <ul style="list-style-type: none"> - Retailer – Contestable & Non-contestable: \$78,939; Contestable only: \$49,231; New area: \$9,761; Restricted retailer: \$62,866 - significant producer (\$40,000) - distribution: flat rates for standard (\$1,195,967) and new area (\$47,460) - Underground storage facility: \$46,250
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Independent Pricing and Regulatory Tribunal (State Of New South Wales)

Service	<p>IPART is an independent body that oversees regulation in the water, gas, electricity and public transport industries in NSW.</p>
Method of Service Provision: Extent to which service are sourced internally and/or externally eg. legal services, administration, IT services, industry research etc Expected changes in the methods of service provision in the future	<p>Staff: IPART employed 71 staff members as at June 30 2003.</p> <p>Consultants: During 2002/03, IPART engaged consultants for a total expenditure of \$2,876,690 (~26% of operating expenses)</p>
Funding: Level of funding. Source of funding for activities.	<p>IPART received funds of \$12.467m in 2002/03. \$11.363 (~90%) of this amount was sourced from appropriations from NSW Treasury, with the remainder coming from sales of goods and services (eg external consultancies), investment income, grants and contributions and other.</p> <p>The basis for determining the level of government appropriations is for IPART to make an annual application each year to Treasury for funding. In determining the funding level, Treasury assesses factors including changes in staff numbers, scheduled wage rises, the year end cash balance, and also requires a productivity gain equal to some proportion of staff costs.</p> <p>In 2002/03, IPART collected \$4.131 from energy and gas businesses. The full amount was passed through to the Government's Consolidated Fund. There is no stated reference to a link between licence/user fees and the level of funding received by IPART.</p>
Fees/Licences Fee structure (if applicable) Principles driving fee structure	<p><u>Electricity</u></p> <ul style="list-style-type: none"> • Electricity retail and distribution licences: Fixed fees plus an amount relating to market share <p>Licence fees determined for 2002/03 were:</p> <ul style="list-style-type: none"> - Electricity Retail Supplier Licences \$752,000 - Electricity Retail Distributor Licences \$225,000 <ul style="list-style-type: none"> • Electricity Transmission and Distribution Levy: A licensee must pay to the NSW Government a levy determined by the Treasurer. The Treasurer must be satisfied that the amount reasonably represents the amount by which the network income of the licensee in that year is likely to exceed the sum of the amounts to be: <ul style="list-style-type: none"> (a) the costs of deriving the income, the taxes payable in deriving that income and a reasonable return on the capital of the licensee used in deriving that income; and having regard to: (d) the likely consumption of electricity in that financial year by customers; and (e) such other matters as the Treasurer determines after consultation with the licensee.

Note: The EDL and TOL have been suspended since the 2001/02 financial year

Gas

The annual authorisation amount payable equals the Treasurer's estimation of the cost to the State of administering relevant gas legislation during that year in relation to each holder. Fees for 2000-01 are as follows:

- **Reticulator Authorisation** Fixed fee of \$1,000 plus a variable fee based on each reticulator's share of the total pipeline length in NSW. Only those reticulators with more than 250km of pipelines are charged the variable component.
- **Supplier Authorisation** Fixed fee plus a variable fee based on market share.
- **Total Suppliers' fees** in 2000-01 are \$1,801,653.
- **Distributor Licence** Fixed fee only.

Levies determined for 2002/03 were:

- Gas Supplier Authorisations	\$1,425,000
- Gas Reticular Authorisations	\$1,722,000
- Gas Distributor Licences	\$1,000
- Application Fees	\$6,000

Queensland Competition Authority (State of Queensland)

<p>Service</p>	<p>The Queensland Competition Authority (QCA) was established by the Queensland Competition Authority Act 1997 (QCA Act). Its main responsibilities are to ensure that:</p> <ul style="list-style-type: none"> - Monopolies do not abuse their market power (monopoly prices oversight) - Significant government business activities which compete with the private sector do so fairly (competitive neutrality) - Essential infrastructure is accessible to all potential users (third party access) <p>The QCA is currently working in the rail, ports, electricity, gas, water, local government and other Industries .</p> <p>It should be noted that responsibility for the issuing of authorities (licences) for generation, transmission, distribution and retail activities undertaken in Queensland's electricity industry resides with the Minister responsible for Energy.</p>										
<p>Method of Service Provision:</p> <p>Extent to which service are sourced internally and/or externally eg. legal services, administration, IT services, industry research etc</p> <p>Expected changes in the methods of service provision in the future</p>	<p>Staff: The number of staff employed by the QCA as at 30 June 2003 was 40.</p> <p>Consultants: The QCA engages consultants or contract staff for specialist advice. Total expenditure on specialist services during 2002-03 was \$757,301 (~14% of Expenses from Ordinary Activities), which was within budget.</p>										
<p>Funding:</p> <p>Level of funding.</p> <p>Source of funding for activities.</p>	<p>The QCA's Revenue from Operating Activities in 2003 was about \$5.7m. This was made up of a Government Grant of \$4.7m and Regulatory Service Fees of about \$1m.</p> <p>Effective 1 February 2003, the QCA has been required to charge fees to partially recover the costs of its services. Fees are charged for the preparation, approval or amendment of an access undertaking, the investigation or monitoring of the pricing practices of a government monopoly business activity and the regulation of the electricity and gas distribution entities under their respective national codes. Fees are set annually, on a financial year basis, and are payable quarterly in arrears.</p>										
<p>Fees/Licences</p> <p>Fee structure (if applicable)</p>	<p>The fee structure is comprised of a fixed component and a variable component based on regulated income.</p> <p>a) The fixed component is based on total revenue bands as follows:</p> <table border="0"> <tr> <td>Less than \$50m</td> <td>\$100,000</td> </tr> <tr> <td>\$50m – \$250m</td> <td>\$200,000</td> </tr> <tr> <td>\$250m – \$500m</td> <td>\$300,000</td> </tr> <tr> <td>\$500m – \$750m</td> <td>\$400,000</td> </tr> <tr> <td>Over \$750m</td> <td>\$500,000</td> </tr> </table> <p>b) The variable component is a percentage of the regulated income from the prior financial year. Fees charged for regulatory services will be passed through to end-users as the beneficiaries of regulation. Fees are also chargeable for the provision of arbitration or mediation services in respect to access disputes, including access determinations, and water supply disputes, including water supply determinations. These fees will be shared between the parties as determined by the QCA and will not automatically pass through to end users.</p> <p>The rule behind the QCA's fee structure is set out in the <i>Queensland Competition</i></p>	Less than \$50m	\$100,000	\$50m – \$250m	\$200,000	\$250m – \$500m	\$300,000	\$500m – \$750m	\$400,000	Over \$750m	\$500,000
Less than \$50m	\$100,000										
\$50m – \$250m	\$200,000										
\$250m – \$500m	\$300,000										
\$500m – \$750m	\$400,000										
Over \$750m	\$500,000										

Principles driving fee structure	<i>Authority Amendment Regulation (No.1) 2003.</i> The fee payable to the QCA for providing a service or performing a function prescribed in a schedule of services and functions is the amount that (a) the QCA considers to be reasonable, and (b) that is not more than the reasonable cost of providing the service or performing the function.
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Office of the Tasmanian Energy Regulator/Government Prices Oversight Commission

Regulatory	Office of the Tasmanian Energy Regulator / Government Prices Oversight Commission
Service	<p>The Tasmanian Energy Regulator is the independent economic and technical regulator of electricity and gas supply industry.</p> <p>The Government Prices Oversight Commission investigates pricing policies of Tasmanian public sector monopolies, investigates competitive neutrality complaints and undertakes other consultancies at the request of the Government.</p>
<p>Method of Service Provision:</p> <p>Extent to which service are sourced internally and/or externally eg. legal services, administration, IT services, industry research etc</p> <p>Expected changes in the methods of service provision in the future</p>	<p>Staff: Staff of the combined offices of the Regulator and Commission are employees of the Department of Treasury and Finance. Thirteen staff are employed by the Department to support the Regulator/Commission. Assistant Commissioners are appointed, as required, during pricing investigations.</p> <p>Consultants: The Regulator/Commission appoints consultants where relevant expertise is not available in-house. In 2002-03, the cost of consultancies was \$193 755 and relates primarily to a single consultancy associated with an electricity pricing investigation. Typically, consultancy costs would be less than \$50 000 per year.</p>
<p>Funding:</p> <p>Level of funding.</p> <p>Source of funding for activities.</p>	<p>During 2002-03, the operating expenditure of the Regulator/Commission was \$1.74 million.</p> <p>Operating expenditure is met through licence fees for gas regulatory activities; participant fees set under the Tasmanian Electricity Code for electricity regulatory activities; the recovery of costs from entities subject to a price investigation; and an appropriation from the Consolidated Fund. In 2002-03, 7% of the budget was met through an appropriation from the Consolidated Fund – the remainder being met through licence and participant fees and investigation cost recoveries.</p>
<p>Fees/Licences</p> <p>Fee structure (if applicable)</p> <p>Principles driving fee structure</p>	<p>Electricity</p> <p>The Tasmanian Electricity Code provides for the Regulator to develop, review and publish, in consultation with Code participants, the fee structure for a period determined by the Regulator. Participant fees meet the Regulator's budgeted revenue requirement. Each year, the Regulator estimates the revenue requirement for the coming financial year, in relation to electricity regulation, and notifies the quantum of fees payable by Code participants.</p> <p>For generators of installed capacity up to 240MW, a fixed fee of up to \$30 000 is paid. The remainder of the Regulator's revenue requirement is met by Hydro Tasmania, the State's principal generator, and each of the transmission and distribution network service providers, system controller and retailer.</p> <p>The allocation of this 'remainder' is based on direct costs of the Regulator attributable to work associated with the specific entity, and a share of Office overheads. Total participant fees collectively paid by electricity entities in 2002-03 was \$0.86 million.</p> <p>Fees are adjusted each year for any actual overspend or underspend of the budget in the previous year.</p> <p>The fee structure will be revised in 2005 to reflect changes in circumstances on NEM</p>

	<p>entry.</p> <p>The cost of an investigation of electricity prices is met by the entity under investigation, in accordance with Electricity Supply Industry (Price Control) Regulations.</p> <p>Gas</p> <p>Under the Gas Act 2000 and Gas Pipelines Act 2000, the Regulator is able to recover the reasonable costs of administering the Act through annual fees. In 2003-04, a fee of \$30 000 was set for the transmission operator; \$30 000 for the distributor and \$30 000 to be met by licensed retailers. Fees will be adjusted in ensuing years to reflect any overspend or underspend by the Regulator in relation to these activities.</p>
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Independent Competition and Regulatory Commission (ACT)

<p>Service</p>	<p>The Commission is responsible for regulating and advising the Australia Capital Territory government about monopoly and near-monopoly industries, and providing advice on competitive neutrality complaints and government-regulated activities under the ICRC Act. The Commission also licenses utility service providers to operate in the ACT and establishes the industry compliance framework and ensures compliance with industry codes and guidelines under the Utilities Act.</p> <p>The Commissions objectives are set out in full in section 7 of the ICRC Act and section 3 of the Utilities Act.</p>
<p>Method of Service Provision:</p> <p>Extent to which service are sourced internally and/or externally eg. legal services, administration, IT services, industry research etc</p> <p>Expected changes in the methods of service provision in the future</p>	<p>Staff: As at 30 June 2003 total staff employed was 13, all located in one office in Canberra. At the commencement of the year there were 5 full-time staff, 2 part-time staff and 3 part-time commissioners.</p> <p>Consultants: The value of contractor and consultant services in 2002-03 was \$290,970 of which 80% was for price reviews.</p> <p>Expected changes: unknown</p>
<p>Funding:</p> <p>Level of funding.</p> <p>Source of funding for activities.</p>	<p>Both the Utilities Act and the ICRC Act allow the commission to recover its costs from users of its services.</p> <p>Total revenue from ordinary activities for 2002-03 was \$2.053 million.</p> <p>The ACT Budget appropriation was approximately \$0.4 million.</p> <p>As in the previous financial year, the main source of revenue for the Commission was utility licence fees of \$1.23 million.</p> <p>Interest revenue was \$0.037 million.</p> <p>User charges: ACT Government: \$0.588 million; Non-ACT government: \$0.198 million (10% of total revenue)</p>
<p>Fees/Licences</p> <p>Fee structure (if applicable)</p> <p>Principles driving fee structure</p>	<p>During 2002-03 the ICRC collected \$1.23 million in utility licence fees.</p> <p>Licence fees offset the costs incurred by the Commission, the Department of Urban Services and the Essential Services Consumer Council in administering the Act.</p> <p>Fees are set to reflect the costs of regulation that each licensee imposes and, where appropriate, market share. Thus, retailers in both the gas and electricity markets will be charged a two part fee comprising a fixed administrative component and a variable component based on customer numbers. For network operators a single fixed fee will apply.</p> <p>The fees for 2002/2003 have been based on the costs that the regulatory agencies expect to incur. Where fees are based on market share they will be based on market share for the previous year. Licence fees for 2003/2004 will be adjusted to reflect the actual costs incurred in 2002/2003.</p> <p>The fees for gas and electricity retailers will vary according to the number of retailers</p>

	<p>participating in the particular market as well as the numbers of customers individual retailers have. Assuming an increase in the number of retailers in the electricity and gas markets does not significantly increase regulatory costs, the licence fees of existing retailers will decrease as new retailers take up market share.</p> <p>Network operators will be advised their respective fee amounts separately.</p> <p>The fee for new entrants to both the electricity and gas markets in 2002/2003 will be \$4,500. For existing licence holders the licence fees will contain two components. A fixed component will recover the relevant fixed costs of the regulatory bodies, while a variable component will recover the regulatory costs as determined by the relevant market share of a licence holder. Due to access problems, the incumbent gas retailer will bear the majority of the regulatory costs for 2002/2003, any other gas retail licence holders will pay the minimum fee as paid by a new market entrant. In 2003/2004 the regulatory costs will be shared as per the arrangements in the electricity market.</p> <p>Licence fees are set annually and are payable quarterly, in advance. The first instalment for 2002/2003 is due on 30 August 2002, and thereafter, on 31 October 2001, 31 January 2002 and 30 April 2002. Licences will generally be issued in perpetuity providing the licensee complies with their licence conditions and any other requirements under the Utilities Act.</p>
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Essential Services Commission of South Australia

<p>Service</p>	<p>Independent economic regulator of prescribed essential utility services supplied by the electricity, gas, ports and rail freight industries. ESCOSA also is currently responsible for reviewing the processes for setting South Australia's 2004/05 urban water tariffs.</p>
<p>Method of Service Provision:</p> <p>Extent to which service are sourced internally and/or externally eg. legal services, administration, IT services, industry research etc</p> <p>Expected changes in the methods of service provision in the future</p>	<p>Staff: As at 30 June 2003 the ESCOSA employed 18 staff, excluding the Chairperson.</p> <p>Consultants: The ESC uses consultants with relevant experience and qualifications. In 2002/03 ESCOSA used 30 consultancies at a total cost of \$1,359,000.</p>
<p>Funding:</p> <p>Level of funding.</p> <p>Source of funding for activities.</p>	<p>The South Australian Government's policy is for ESCOSA to recover its costs from regulated industries wherever possible. ESCOSA currently receives public-sector funding for its work in ports, rail and water reviews. By far the majority of its funding comes from electricity and gas licence fee revenue. ESCOSA assumed responsibility for economic regulation of gas, and collection of gas licence fees, in 2003/04. Hence, the information provided here <u>does not include gas licence fee revenue</u>.</p> <p>ESCOSA's total budget for 2002/03 was \$4.383m. The actual operating surplus was \$0.358m.</p> <p>During 2002/03, electricity supply industry licence fees were the primary source of revenue. In 2002/03, ESCOSA administered a total of \$7.02 million in electricity licence fees, of which \$3.2m was allocated to other agencies for their electricity-related regulatory work. The remainder (\$3.82m) was retained by ESCOSA for expenditure in 2002/03.</p>
<p>Fees/Licences</p> <p>Fee structure (if applicable)</p>	<p>ESCOSA acts on behalf of the South Australian Government in collecting fees under the relevant legislation.</p> <p>Licence fees for electricity and gas are determined by the Minister for Energy as an amount that the Minister considers to be a reasonable contribution to the administrative costs of the Act. From the commencement of ESCOSA's predecessor, the South Australian Independent Industry Regulator, electricity supply industry licence fees have been set to recover the full cost associated with the electricity supply regulatory activities of ESCOSA, the Technical Regulator and the Electricity Supply Industry Planning Council.</p> <p>ESCOSA did not carry out gas regulation in 2002/03. Hence, gas licence fees are not provided here.</p> <p>For 2002/03, <u>electricity</u> licence fees were as follows:</p> <ul style="list-style-type: none"> - transmission: intrastate \$2,443,500, interconnector \$58,200 - distribution: \$3,400,000 - generation: determined on a scale according to MW generated. Categories: >200 MW: \$87,300, 101-200 MW: \$58,200, 30-100 MW: \$29,100, 100 kV-30 MW: \$5,800 - retail: AGL: \$400,000, other retail: \$30,000 - system control: \$5,800 - remote: \$1,000.

Essential Regulatory Commission (Western Australia)

<p>Service</p>	<p>The Economic Regulation Authority (ERA) has responsibility for carrying out the functions of the Authority as set out in the <i>Economic Regulation Authority Act 2003</i>. The ERA has been established to oversee the economic regulation functions of gas, rail, water and electricity services in Western Australia. Existing regulatory functions in relation to gas pipeline access, rail and water were transferred to the ERA on 1 January 2004. The gas licensing function was transferred on 19 March 2004. When the economic regulation framework for electricity is finalised, this function will also be performed by the ERA.</p>
<p>Method of Service Provision:</p> <p>Extent to which service are sourced internally and/or externally eg. legal services, administration, IT services, industry research etc</p> <p>Expected changes in the methods of service provision in the future</p>	<p>As at 1 March 2004 the ERA employed around 20 staff, excluding outsourced services and contractors.</p> <p>The ERA, where necessary, makes use of specialised services provided by other agencies and from consultants in providing regulatory support to the governing body of the ERA.</p>
<p>Funding:</p> <p>Level of funding.</p> <p>Source of funding for activities.</p>	<p>Source of Funding: In respect of the administration of the regulatory arrangements for gas pipeline access, the <i>Economic Regulation Authority (Gas Pipelines Access Funding) Regulations 2003</i> sets out the charges and fees. This is broken down into 3 categories.</p> <p>Standing Charges: For each quarter during any of which a pipeline specified in Schedule 1 of the Funding Regulations is a covered pipeline, a charge is payable by the pipeline operator for each specified pipeline in connection with the performance of the functions of the Authority under the <i>Gas Pipelines Access (Western Australia) Act 2003</i> Part 6. The charge for a pipeline is to be calculated using the formula — C (the amount of the core function costs for the quarter); X P (the percentage specified in Schedule 1 for the pipeline).</p> <p>Service Charges: Charges for functions in connection with which service charges are payable, and the person liable to pay the charge are set out under Schedule 2 of the Funding Regulations (e.g. in the assessment of access arrangement information for the purposes of sections 2.6 and 2.8 of the Gas Access Code, the service provider submitting the access arrangement information is responsible for any relevant charges). The amount of the service charge is equivalent to the costs directly attributable and in connection with the performance of that function and may include costs of consultants, photocopying, mailing and costs associated with public consultation.</p> <p>The Regulations also provide for recovery of incidental costs including document, admission and lodgement fees.</p>
<p>Fees/Licences</p> <p>Fee structure (if applicable)</p>	<p>As of 19 March 2003, the ERA is administering the gas licensing regime in Western Australia. Fees for gas distribution and trading licenses are as outlined below:</p> <p><u>Gas:</u> In respect of gas distribution networks, licence fees are based on the following formula</p> <ul style="list-style-type: none"> • Less than 5km – <ul style="list-style-type: none"> o a \$150 fee for transporting gas to small use customers only, o or in any other case \$1500;

<p>Principles driving fee structure</p>	<ul style="list-style-type: none"> • 5km or more, but less than 20km \$2250; • 20 k or more, but less than 100km \$3750; and • 100km or more \$7500. <p>In respect of gas trading licenses, fees are based on number of small use customers:</p> <ul style="list-style-type: none"> • Less than 100 - \$150; • 100 or more, but less than 500 - \$1500 • 500, but less than 2000 - \$3000; and • 2000 or more - \$4500. <p><u>Electricity:</u> Electricity licensing is still to be established. Funding arrangements are being considered, in conjunction with the development of an Electricity Access Code for Western Australia.</p>
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NEMMCO (Australia)

<p>Service</p>	<p>Established in 1996 to develop, implement, administer and operate the wholesale National Electricity Market (NEM), and manage the security of the power system. It is a body corporate whose members are the governments of the Australian Capital Territory, New South Wales, Queensland, South Australia, Tasmania and Victoria.</p> <p>NEMMCO has dual roles of Market Operator and System Operator for the NEM. It administers and operates a competitive wholesale electricity market where 165,000 GWh of electricity is traded annually.</p>
<p>Method of Service Provision:</p> <p>Extent to which service are sourced internally and/or externally eg. legal services, administration, IT services, industry research etc</p> <p>Expected changes in the methods of service provision in the future</p>	<p>Staff: For the 2003/04 year there were 204 staff located in NSW, VIC and QLD.</p> <p>Consultants: Its expenses budget for year 2002/03 was \$24.22 million for labour, \$0.18 million for contractors, \$3.30 million for consultants, with total expenses budget being \$57.50 million.</p> <p>Included in the 2003/04 budget are several initiatives and strategic decisions which contribute to an effective increase in operating budget of 1.73%. Labour costs are budgeted to increase by \$2.50 million as a result of labour market increases, the extra staff required to cover the additional services now required to be completed by NEMMCO under the TNSP Operating Agreement, and it assist in expanding its Market Development activities.</p>
<p>Funding:</p> <p>Level of funding.</p> <p>Source of funding for activities.</p>	<p>NEMMCO is funded by participant fees and operated on a not-for-profit basis. The 2003/04 operating budget was \$58.34 million.</p> <p>Fee revenue from market participants was \$62.05 million during 2002/03 (NEMMCO fees). This is effectively translated to participants paying 37 cents per MWh for the coming period. The final fee to be charged in 2003/04 will include a refund from fees over-recovered in the previous year of \$2.0 million. Taking this into account, the rate per MWh for the 2003/04 period is 36 cents per MWh.</p> <p>The 2003/04 year is the first year of FRC fee recovery (FRC fees). The revenue required for the 2003/04 year is \$15.33 million, or 9 cents per MWh.</p>
<p>Fees</p> <p>Fee structure (if applicable)</p>	<p>NEMMCO's 2003 Fee Structure Determination for Participant fees for the period 1 July 2003 to 30 June 2006 will be as follows.</p> <p><u>Specific User Fees:</u> Once-off registration fee of \$1,700 (ex GST) for all new registrations.</p> <p>Discretionary Services Fee will be levied on the basis of:</p> <ul style="list-style-type: none"> (a) hourly charge for activities undertaken by NEMMCO staff (b) on a cost pass through basis, costs incurred by NEMMCO in payments to third parties. For period 1 July 2003 to 30 June 2004 the hourly charge will be \$175 (ex GST) and thereafter escalated by annual CPI on the preceding 12 month period. <p><u>Allocated Cost Fees:</u> For each year of the period of the Determination commencing 1 July 2003, 66 % of NEMMCO's budgeted revenue requirements (excluding FRC budgeted revenue and less forecast revenue from Registration Fees and Discretionary Service Fees) will be categorised as allocated costs and allocated on the following basis:</p> <ul style="list-style-type: none"> (a) 52% to Market Customers levied on the basis of MWh settled in spot market transactions in each billing period using a rate set on the basis of forecast total MWh for the current year;

<p>Principles driving fee structure</p>	<p>(b) 43% to Generators (except Generators registered as Non-Market Non-Scheduled) and MNSPs levied on the basis of an average of: MWh of energy scheduled (for Scheduled Generators) or energy metered (for Non-Scheduled Generators) in the previous calendar year; and the higher of the greatest registered capacity and greatest notified maximum capacity in the previous calendar year on a generating unit basis; and</p> <p>(c) 5% to Generators (who are registered as Market and Scheduled Generators) and MNSPs levied on the basis of an average of: MWh of energy scheduled in the previous calendar year; and the higher of the greatest registered capacity and greatest notified maximum capacity in the previous calendar year on a generating unit basis.</p> <p><u>General Administration Cost Fees:</u> For each year of the period of the Determination commencing 1 July 2003 34% of NEMMCO's budgeted revenue requirements (excluding FRC budgeted revenue requirements and less forecast revenue from Registration Fees and Discretionary Services Fees), all of NECA's budgeted revenue requirements and the establishment fee receivable will be categorised as General Administration Costs and allocated to Market Customers levied on the basis of MWh settled in spot market transactions in each billing period.</p>
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Appendix B International Case Studies

United States of America

Federal Energy Regulatory Commission

US\$

US\$	
Service	Electricity, gas, oil and hydro. The FERC has responsibility for interstate commerce only, although case law has defined that concept to include any transmission facilities connected to interstate transmission facilities.
Method of Service Provision: Extent to which service are sourced internally and/or externally eg. legal services, administration, IT services, industry research etc Expected changes in the methods of service provision in the future	The FERC uses a mix of internal workforce and contracted services from the private sector, however data is not available.
Funding: Level of funding. Source of funding for activities.	For fiscal year 2001, Congress appropriated \$175.2m to support FERC activities. Congress annually adopts a budget appropriation that gives the FERC the authority to use funds from the Treasury to meet operating costs. However under the authority of the Omnibus Budget Reconciliation Act of 1986 and other laws, the FERC recovers all of its costs from regulated industries through fees and annual charges. Revenues generated from these sources completely offset congressional appropriations. The Commission must return to the Treasury all revenue from annual charges and fees. Hence this results in a net cost to the treasury of zero dollars.
	Information not available.

United Kingdom

Office of Gas and Electricity Markets

£ (GBP)

Service	Ofgem (operating under the direction and governance of the Gas and Electricity Markets Authority) regulates the gas and electricity industries in Great Britain.
<p>Method of Service Provision: Extent to which service are sourced internally and/or externally eg. legal services, administration, IT services, industry research etc</p> <p>Expected changes in the methods of service provision in the future (if applicable)</p>	<p>Average number of payroll staff during 2001-2002 was 303.</p> <p>Payroll and contractors account for 34% and 17% of total operating costs respectively.</p>
<p>Funding: Level of funding.</p> <p>Source of funding for activities.</p>	<p>Ofgem received income of £68.5m in 2001-2002.</p> <p>£62.2m (about 91%) of total income was received from licence fees. Of this, £22.4m was collected on behalf of the Department of Trade and Industry (DTI) to meet energywatch (the new Gas and Electricity Consumer Council) and other DTI costs. Other Ofgem income, mainly from property and charges for technical fees, totalled £6.3m.</p> <p>Ofgem operates within the public expenditure framework laid down by HM Treasury. These arrangements require Ofgem to recover the full accounting costs of its activities under utilities legislation. Ministers have determined that Ofgem will be a self-financing body. Almost all of Ofgem's expenditure is financed by income from licence fees.</p> <p>In previous years to 2001, licence fee income has been recovered from all parties licensed to operate within the gas and electricity sectors. This has traditionally meant that licensed generators, transportation businesses (electricity transmission, distribution, and gas transportation companies), shippers and suppliers have contributed directly to the running costs of Ofgem. However revised standard licence arrangements introduced on October 2001 place the obligation for payment of licence fees solely on the network businesses.</p>
	<p>It is proposed that core costs will be attributed to licensees proportionate to the number of final customers. The contribution of core running costs attributed to each licensee will thus reflect the proportion of total customers connected to its network (either directly or indirectly via downstream network). As such, the general costs of regulating the gas and electricity sectors are smeared across all customers that benefit from Ofgem.</p> <p>Ofgem recognises that this approach would not be an appropriate mechanism for allocating exceptional costs, as these are typically specific to one sector. It is proposed that exceptional costs are split between licensees operating in the electricity and gas sectors respectively according to a formula pre-determined by Ofgem, and this will reflect the relative proportion of customers affected.</p> <p>The allocation of Ofgem's costs across licensees depends on the availability of accurate information on direct and indirect customer numbers. Ofgem proposed the use of MPANs in electricity and meter supply points in gas as a proxy for the number of customers connected to electricity and gas networks respectively.</p> <p>Note that the information provided here is subject to final approval.</p>