



STATEMENT OF REASONS

Gas Market Service Operator allocation costs

Under rule 425 of the National Gas Rules, the AER is required to make a determination on the Market Service Operator (MOS) allocation service costs payable to a gas short term trading market pipeline operator. This statement of reasons sets out our determination on the 2013–14 MOS allocation service costs for:

- APA Group for the Roma to Brisbane Pipeline (RBP) and the Moomba to Sydney Pipeline (MSP),
- Epic Energy (Moomba to Adelaide Pipeline System), Jemena (Eastern Gas Pipeline (EGP)) and SEA Gas (South East Australia Gas Pipeline).

Our determination is that costs specified in tax invoices the Australian Energy Market Operator (AEMO) provided to us for the five gas pipeline operators, would be the MOS service costs payable to each of them. Appendix A specifies the MOS service costs payable.

Background

On 31 July 2014, AEMO provided to the AER with tax invoices and evidence for costs incurred for MOS allocation services for the financial year 2013–14. AEMO sought submissions on these costs, but did not receive any.

In the short term trading market hubs of Adelaide, Sydney and Brisbane, the respective pipeline operators are required to allocate gas on a daily basis in response to deviations on the pipeline or at the hubs. This is done by increasing or decreasing the quantity of gas supplied to the hub. MOS is a standing agreement between pipeline operators and shippers to balance positive or negative deviations at the end of each gas day. MOS allocation service means the allocation of pipeline deviations.¹

We have assessed the information AEMO provided and consider that the costs specified in all five pipeline operators' tax invoices have been incurred for MOS allocation services and that the costs are reasonable.

¹ Rule 364 of the National Gas Rules (NGR).

Reasons

In determining that the costs were reasonable, we considered historical MOS allocation service payments. We found that the 2013–14 tax invoices were mostly consistent with past years. Table 1 compares historical MOS service payments.

Table 1 Comparison of 2013–14 invoice and historical MOS payments

	Adelaide Hub		Sydney Hub		Brisbane Hub
	SEAGas pipeline (SEAGas)	Moomba to Adelaide (Epic Energy)	Eastern Gas Pipeline (Jemena)	Moomba to Sydney Pipeline (APA Group)	Roma to Brisbane Pipeline (APA Group)
2011–12	\$30,115	\$117,209	\$15,805	\$188,814	\$722,442
2012–13	\$24,417	\$77,787	\$5,240	\$72,7590	\$73,416
2013–14 invoice	\$28,241	\$115,660	\$7.235	\$72,918	\$73,284

We noted that the 2013–14 tax invoice for the Moomba to Adelaide pipeline operator, Epic Energy, was higher than its 2012–13 payment. We were nonetheless satisfied that the costs sought were reasonable. Epic Energy’s 2011–12 payment was greater than its 2013–14 tax invoice. We were also satisfied with the reasonableness of Epic Energy’s labour rates.²

We considered the supporting material the pipeline operators provided with their tax invoices. There was sufficient evidence that direct and indirect costs had been appropriately allocated and, from this, we concluded that the costs in the 2013–14 invoices were incurred for MOS allocation services.

² Epic Energy, Tax Invoice, 25 July 2014: <http://aemo.com.au/Gas/Market-Operations/Short-Term-Trading-Market/STTM-Pipeline-Operators-MOS-Allocation-Service-Costs>

Appendix A

AER determination: 2013–14 MOS payable (GST exclusive)

	Adelaide Hub		Sydney Hub		Brisbane Hub
	SEAGas pipeline (SEAGas)	Moomba to Adelaide (Epic Energy)	Eastern Gas Pipeline (Jemena)	Moomba to Sydney Pipeline (APA Group)	Roma to Brisbane Pipeline (APA Group)
Estimate	\$18,000	\$123,097	\$7000	\$74,405	\$75,192
Invoice	\$28,241	\$115,660	\$7,235	\$72,918	\$73,284
Amount payable	\$28,241	\$115,660	\$7,235	\$72,918	\$73,284