

STATEMENT OF REASONS

Gas Market Operator Service allocation costs

Under Rule 425 of the National Gas Rules, the AER is required to make a determination on the Market Operator Service (MOS) allocation service costs payable to gas short-term trading market (STTM) pipeline operators. This statement of reasons sets out our determination on the 2019-20 MOS allocation service costs for:

- SEA Gas for the South East Australia gas pipeline (SGP)
- Epic Energy for the Moomba to Adelaide pipeline (MAP)
- Jemena for the Eastern gas pipeline (EGP)
- APA Group for the Moomba to Sydney pipeline (MSP) and the Roma to Brisbane pipeline (RBP).

We have determined that the costs specified in the invoices provided to the Australian Energy Market Operator (AEMO) are the MOS allocation costs payable to each of the four gas pipeline operators.

Background

On 27 August 2020 AEMO provided the AER with tax invoices and evidence for costs incurred for MOS allocation services for 2018-19. AEMO sought submissions on these costs but did not receive any.

In the STTM 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 hub. 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 services are provided to meet these pipeline deviations.

Reasons

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

In determining that the costs were reasonable, we considered historical MOS allocation service payments. We found that the 2019-20 invoices are consistent with previous years. Table 1 compares the historical MOS payments to the current invoices.

Table 1 – Comparison of historical MOS payments and current invoices (excl. GST)

	Adelaide hub		Sydney hub		Brisbane hub
	SGP (SEAGas)	MAP (Epic Energy)	EGP (Jemena)	MSP (APA Group)	RBP (APA Group)
2012-13	\$24,417	\$77,787	\$5,240	\$72,759	\$73,416
2013-14	\$28,241	\$115,660	\$7,235	\$72,918	\$73,284
2014-15	\$18,305	\$107,010	\$5,020	\$80,388	\$81,557
2015-16	\$16,125	\$120,606	\$9,631	\$85,375	\$86,905
2016-17	\$18,201	\$114,029	\$8,447	\$72,819	\$74,334
2017-18	\$25,289	\$90,363	\$7,784	\$74,014	\$76,217
2018-19	\$25,021	\$82,420	\$6,809	\$82,148	\$83,546
2019-20*	\$20,028	\$89,733	\$7,158	\$86,272	\$86,694

*Invoices received

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. Therefore, we concluded that the costs in the 2019-20 invoices were incurred for MOS allocation services.