Updated 18 February 2025

Standardisation Cost Charges for 2025

Charge	Description	Basis for the charge	VicHub
Base Standardisation Cost Charge	An administration charge is levied on each GTA and OTSA. The charge is levied monthly in arrears.	$ per agreement per month	0

Methodology for calculating cost recovery charges

The cost recovery charges are calculated so that Jemena recovers no more than the standardisation costs that are recoverable under Rule 634 of the National Gas Rules. In doing so, we seek to recover those costs via a fixed charge. These charges are reviewed annually. Although Jemena has set charges of zero for 2025 based on forecast day-ahead auction proceeds, charges may need to be reintroduced in subsequent years should future DAA proceeds be insufficient to recover costs consistent with the requirements of Rule 634.

The charges for a given year are calculated by determining what standardisation costs to recover in that year and then allocating those costs across pipelines.

There are two key steps to applying the methodology:

1. **Estimate the costs to be recovered in the applicable year.** This is done by combining the estimated standardisation costs we expect to incur during the year with a share of any unrecovered standardisation costs that we incurred in prior years but have not yet recovered through the cost recovery charges.

We do this by:

a) Tracking past standardisation costs incurred and cost recovery revenue earned in a notional 'Unrecovered Costs Account' – this account adjusts for financing costs each year and operates like a bank account does (i.e. with costs incurred added, revenue earned removed, and financing costs applied to any outstanding balance)

b) Multiplying the closing balance of the Unrecovered Costs Account for the prior year by a cost recovery rate (between 0% and 100%) that determines what share of that balance we expect to recover in the year ahead – this rate is set to smooth the recovery of standardisation costs over time to, among other things, align with the expected life of the costs incurred

c) Adding that share of the Unrecovered Costs Account to expected standardisation costs for the year to get the costs to be recovered that year.

We try to incur costs separately for standardisation cost activities and other activities where possible. Where this is not practicable or efficient, to the extent that there are any shared costs between activities we will allocate costs based on our best estimates of the appropriate allocation, for example, by assessing the proportion of effort involved.

Maintaining an Unrecovered Costs Account ensures that we do not over-recover standardisation costs. Any revenue that we earn through past cost recovery charges or as proceeds from the DAA are taken off that account on an annual basis, and so reduce the balance that we seek to recover through future years' charges. An explanation of our standardisation costs and how they were incurred is provided in the next section.

2. **Allocate the costs for a given year across the charges.** This is done by first allocating the standardisation costs to be recovered in a given year across pipelines. Our standardisation costs are incurred in relation to a shared system which supports multiple facilities. We have used the expected number of contracts per pipeline to determine the allocation. For the 2025 invoice charges, the proportion of costs based on the expected number of contracts per pipeline is:

VicHub	Other
28%	72%

Description of standardisation costs and how they were incurred

Standardisation costs are the incremental costs that we incur in establishing and maintaining the transportation and other agreements, systems, and processes needed to facilitate capacity trading and day-ahead auctioning, as required by Parts 24 and 25 of the National Gas Rules.

We incurred and expect to incur establishment costs to (among other things):

- Develop and vary our standard and existing gas transportation agreements to facilitate capacity trading and the day-ahead auction
- Amend our information technology systems and internal processes to facilitate information exchange with the Australian Energy Market Operator
- Engage external assistance in the review and analysis of draft consultation material, preparation of submissions, development of new internal processes and project management
- Recruit new staff needed to apply the new capacity trading and day-ahead auction processes
- Train our staff on how to comply with the new obligations and apply the new processes.

We also expect to incur ongoing costs to facilitate capacity trading and the day-ahead auction, including employee costs and system maintenance and replacement from time to time.

Our standardisation costs do not include the costs associated with upgrading IT systems and processes that were already planned to be carried out or are required for other functions.

For 2018 to 2025, our total estimated standardisation costs were $3,152k. As of 1 January 2022, our Unrecovered Costs Account balance is zero and Jemena has forecast that auction proceeds for 2025 alone may be sufficient to offset our estimated costs for 2025, and as such, Jemena has chosen not to levy standardisation cost charges for 2025.

Jemena will review and reconcile our standardisation costs and charges annually and adjust the methodology, assumptions, and charges for the following year as appropriate to validate our costs and ensure that we do not over-recover in the following year.

Actual and estimated costs (2018 – 2025)

GMR Standardisation costs as at January 2025 Actual and estimated costs									
Cost category - $'000	**2018 Actual**	**2019 Actual**	**2020 Actual**	**2021 Actual**	**2022 Actual**	**2023 Actual**	**2024 Actual**	**2025 Estimate**	**Total**
Legal	352.0	117.3	-	-	-	-	-	-	469.3
IT	1.4	91.3	114.3	98.9	105.1	110.5	114.5	141.6	777.6
Consultant fees	413.9	153.2	-	-	-	-	-	-	567.1
New Commercial Operations staff	-	12.8	57.6	76.5	76.5	151.9	125.9	123.9	625.1
Total Opex	***767.3***	***374.6***	***172.0***	***175.4***	***181.6***	***262.4***	***240.4***	***265.5***	***2,439.2***
Cost of finance	***46.0***	***69.9***	***41.3***	***30.7***	***5.8***	***6.9***	-	-	***200.6***
IT Capex	***385.3***	***127.5***	-	-	-	-	-	-	***512.8***
Total Costs	**1,198.6**	**572.0**	**213.3**	**206.1**	**187.4**	**269.3**	**240.4**	**265.5**	**3,152.5**

Note: IT opex includes Austraclear costs