



Australian Government

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Department of Industry, Science, Energy and Resources

Offshore Infrastructure Registrar

Offshore Infrastructure Regulator

## **COST RECOVERY IMPLEMENTATION STATEMENT**

***Offshore Electricity Infrastructure Act 2021***

**March 2022**

Cost recovery involves government entities charging individuals or non-government organisations some or all of the efficient costs of a regulatory activity. This may include goods, services or regulation, or a combination of them. The Australian Government Charging Framework, which incorporates the Cost Recovery Guidelines (the CRGs)<sup>1</sup>, sets out the framework under which government entities design, implement and review regulatory charging activities.

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<sup>1</sup> The Australian Government Charging Framework and the CRGs are available on the Department of Finance website ([www.finance.gov.au](http://www.finance.gov.au)).

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# 1 INTRODUCTION

## 1.1 Purpose of the CRIS

This Cost Recovery Implementation Statement (**CRIS**) provides information on how responsible entities will implement full cost recovery for the administration and regulation of offshore electricity infrastructure (**OEI**) licences and offshore infrastructure activities under the *Offshore Electricity Infrastructure Act 2021* (**the OEI Act**), the *Offshore Electricity Infrastructure (Regulatory Levies) Act 2021* (**the Levies Act**) and associated regulations. The responsible entities are:

- the Offshore Infrastructure Registrar (**the Registrar**);
- the Offshore Renewable Energy (**ORE**) section within the Department of Industry, Science, Energy and Resources (**DISER**); and
- the Offshore Infrastructure Regulator (**the Regulator**).

It also reports financial and non-financial performance information for licence administration and regulation, and contains financial forecasts. The CRIS will be maintained until the activity or cost recovery for the activity has been discontinued.

# 2 POLICY AND STATUTORY AUTHORITY TO COST RECOVER

## 2.1 Government policy approval to cost recover the regulatory activity

The OEI Act establishes a regulatory framework to enable the construction, installation, commissioning, operation, maintenance and decommissioning of offshore electricity infrastructure (collectively, offshore infrastructure activities) in the Commonwealth offshore area. The OEI Act provides that costs associated with the Regulator's functions and Registrar's functions under the legislative framework will be recovered through a combination of cost recovery fees (see section 189 of the OEI Act) and cost recovery levies imposed on regulated entities (see section 8 of the Levies Act and section 190 of the OEI Act).

The OEI legislative framework will operate on a cost recovery basis through fees and levies and is not designed to generate revenue above costs incurred by the Commonwealth Government (including the Registrar, Regulator and DISER) for regulating the OEI industry.

It is Government policy that full cost recovery charging is implemented for all government activities in relation to the offshore infrastructure regulatory framework.

## 2.2 Statutory authority to charge

The legal authority to impose an offshore electricity infrastructure levy is contained in Part 2 of the Levies Act. The amounts are prescribed in the *Offshore Electricity Infrastructure (Regulatory Levies) Regulations 2022*. The legal authority to prescribe application fees can be found in Chapter 5 of the OEI Act. The fees are prescribed in the *Offshore Electricity Infrastructure Regulations 2022*.

# 3 KEY FORWARD DATES AND EVENTS

Key dates and events for the cost recovered activity include:

2 June 2022	Implementation of CRIS.

## 4 CRIS APPROVAL AND CHANGE REGISTER

Date of CRIS change	CRIS change	Approver	Basis for change
[insert date]	Update	[insert]	[insert]

## 5 OVERVIEW

This CRIS sets out the cost recovery framework for OEI activities in Commonwealth waters which includes application fees and regulatory levies.

### I. Application Cost Recovery Fees

Application cost recovery fees are payable either to the Registrar or the Regulator and reflect the cost to that entity of receiving and assessing an application, making a recommendation to the decision-maker and implementing the decision.

### II. Cost Recovery Levies

The regulatory cost recovery levies comprise three components:

#### a) Annual licence levy

The annual licence levy is payable to the Registrar at the end of 30 days after the grant of a licence and annually thereafter at the end of 30 days after the anniversary date of the grant of the licence, for the duration of a licence. The annual licence levy will be applied differently based on licence type. This is to reflect the different nature of licences with feasibility, commercial, and research and demonstration licences being area-based while a transmission and infrastructure licence is point to point.

It is anticipated that projects covering a larger area will incur higher administrative costs. Under the framework there is a requirement for licence holders to continue to meet the merit criteria and commence activities within a reasonable time. The annual licence levy has been designed with a base rate for all licence types, reflective of the need to cover administrative costs across all licences, and a variable component calculated on the basis of the total area of a particular licence with different rates for different licence types. It is expected the amount of effort required to monitor and manage the ongoing compliance requirements will increase with the size of the licence. The variable component intends to make sure the costs are split proportional to effort.

The annual licence levy will cover costs to the Registrar for administration of the licensing scheme including licence compliance and reporting, maintaining the Register of Licences, stakeholder engagement and provision of compliance advice to the Minister.

#### b) Annual compliance levy

The annual compliance levy is payable to the Regulator at the end of 30 days after the grant of a licence and then annually thereafter within 30 days of the anniversary of the grant of the licence. The annual compliance levy will apply to all licence holders as an ongoing annual levy payable for the duration of a licence.

The annual compliance levy will be variable reflective of the complexity of activities authorised by different licence types with licences that authorise more complex activities attracting higher levies. It will be constructed similar to the annual licence levy with a base rate for all licence types, reflective of the need for advice, guidance and compliance monitoring across all licences, and a variable component for feasibility, commercial and research and development licences calculated on the basis of the total area of a particular licence with different rates for different licence types.

This approach has been taken as licences that authorise more complex activities and cover larger geographic areas, such as commercial licences for offshore wind farms, will facilitate larger, more complex projects involving more offshore electricity infrastructure. Consequently, offshore infrastructure activities in these licences are likely to be more frequent, more complex and of a longer duration than activities in smaller licences or in licences that authorise less complex activities. Regulatory effort for the Regulator to monitor and enforce compliance for a particular licence will be reflective of the scale and complexity of the activities within that licence.

The annual compliance levy will cover costs to the Regulator associated with stakeholder engagement, provision of legislative and policy support, guidance materials, development, implementation and maintenance of core processes and systems to receive and assess applications, reporting, handling of information, monitoring and enforcing the compliance of licence holders with management plans and the requirements of the OEI Act and regulations in relation to work health and safety, infrastructure integrity, environmental management and financial security.

#### c) Annual Commonwealth levy

The annual Commonwealth levy is payable at the end of 30 days after the grant of a licence and then 30 days after the first day of every subsequent calendar year, for the duration of a licence. The Commonwealth levy will be a fixed rate for each licence type and applied differently based on licence type (e.g. the annual Commonwealth levy component for a transmission and infrastructure licence would not include costs of declaring an area).

The ORE section was originally created to develop and implement the OEI legislative framework and the section's work continues to be dedicated entirely to outputs relating to the framework. The need for the framework was driven by the industry and the ongoing activities involved in the implementation and operation of the framework are undertaken for the industry. As processes and outputs of the ORE section are undertaken specifically for the industry, it is appropriate that the industry be required to fund such activities.

The annual Commonwealth levy will reflect the costs incurred by the Commonwealth in:

- identifying, assessing and declaring areas to allow industry to apply for licences to undertake OEI activities;
- ongoing policy and regulatory development needed to ensure the legislative framework is comprehensive and remains fit for purpose. Because it is a new framework there will undoubtedly be some refining that will need to occur; and

- program management, administration and engagement activities required to ensure the operation and implementation of the legislative framework is efficient and communication and consultation between the ORE section and industry is ongoing.

The annual Commonwealth levy will be paid into the Registrar's Special Account for quarterly reimbursement to DISER.

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## 6 OFFSHORE INFRASTRUCTURE REGISTRAR

### 6.1 Description of the regulatory charging activity

The Registrar is a statutory position appointed by the Secretary of the department under section 153 of the OEI Act. The Registrar will be assisted by employees of the department, currently the National Offshore Petroleum Titles Administrator Branch (**NOPTA**) will assist the Registrar its functions.

The functions and powers of the Registrar include:

- Providing information, assessments, analysis, reports, advice and recommendations to the Minister in relation to the performance of the Minister's functions or the exercise of the Minister's powers under the OEI Act;
- Cooperating with the Regulator in matters relating to the administration and enforcement of the OEI Act and the applied work health and safety provisions;
- Cooperating with other Commonwealth agencies and authorities having functions relating to the regulation of offshore infrastructure activities;
- Such other functions as are conferred on the Registrar by or under the OEI Act;
- Doing anything incidental to or conducive to the performance of any of the above functions; and
- Doing all things necessary or convenient to be done for or in connection with the performance of the Registrar's functions.

NOPTA is experienced in offshore administration and technical advice, having administered titles and data management for petroleum and greenhouse gas titles in Commonwealth waters for over 10 years.

#### Operational cost drivers

With NOPTA's assistance, the Registrar's ability to effectively administer and discharge its functions under the OEI Act is underpinned by access to sufficient resources, capacity and qualified personnel. The Registrar must be able to retain a competent capacity to undertake its advisory and compliance roles under the OEI regime.

Importantly, there is distinct legislative separation between NOPTA's duties and cost recovery in relation to offshore petroleum and greenhouse gas storage and those in relation to offshore electricity such that there can be no cross-subsidisation of the two functions.

The Registrar is to be fully funded through the cost recovery charges imposed under the OEI legislation and manages the funds through an administered Special Account. The Registrar will recover its costs via application fees and annual licence levies. The first cost recovery will occur on the receipt of the first licence application, which is expected in the latter half of 2022-23.



## 6.2 Cost Recovery Model

### 6.2.1 Staffing

For the initial CRIS period, the Registrar will have 6.60 Full Time Equivalent (**FTE**) staff employed to support the Registrar in delivering its legislated functions under the OEI Act:

1. One full-time EL2 Manager equivalent (1.0 FTE)
2. One full-time EL1 Assistant Manager equivalent (1.0 FTE)
3. One full-time APS 6 Titles Officer equivalent (1.0 FTE)
4. One full-time EL1 Commercial Officer equivalent (1.0 FTE)
5. One full-time EL1 Legislative Compliance Officer equivalent (1.0 FTE)
6. One Specialist Technical Officer equivalent (1.0 FTE)<sup>2</sup>

These staff are supported by:

1. Technology, Information and Geospatial Support (**TIGS**) (0.25 FTE)
2. Business Support Unit (**BSU**) (0.25 FTE)
3. Executive (0.1 FTE)

The cost of the Executive, BSU and TIGS is allocated across NOPTA's OEI activities based on estimations of effort.

#### *Departmental Overheads*

DISER provides the governance structure, access to corporate support and systems and insurance coverage and allocates these costs to NOPTA.

These costs consist of:

- Workers compensation insurance premium
- Property and general liability insurance premium
- Depreciation of NOPTA office fit-outs
- Governance structure (Accountable Authority instructions, delegations, departmental policies), mandatory training, financial and other departmental systems, corporate support
- Standard Protected Desktop Offering
- Human Resources support and payroll processing

NOPTA shares accommodation with NOPSEMA in Perth and Melbourne.

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<sup>2</sup> Note: The Specialist Technical Officer will increase to 2.5 FTE for commercial licence applications.

## 6.2.2 Outputs and business processes

All references are to the OEI Act unless otherwise described.

No	FUNCTION	PROCESS
1	<b>Declaration of an area and invitation to apply</b> (Chapter 2)	<b>Release</b> <ul style="list-style-type: none"> <li>– Publication of notifiable instrument for invitation to apply.</li> </ul>
2	<b>Grant of Feasibility Licence, Commercial Licence, Research &amp; Demonstration Licence, Transmission &amp; Infrastructure Licence</b> (Chapter 3)	<b>Grant of Licence</b> General overview of process: <ul style="list-style-type: none"> <li>– Receipt of application.</li> <li>– Screening of application and re-submission.</li> <li>– Assessment of application.</li> <li>– Request/s for further information.</li> <li>– Meeting/s with applicant.</li> <li>– Consultation with the Regulator etc.</li> <li>– Provide advice and support to the Minister.</li> <li>– Financial offers and overlapping of proposed licence areas (where applicable).</li> <li>– Procedural fairness and legal advice.</li> <li>– Implement the decision.</li> <li>– Maintain the Register of Licences (Chapter 5).</li> <li>– Notifiable instruments of event (where applicable – Chapter 5).</li> </ul>
3	<b>Licence Applications – All Licence Types</b> (Chapter 3)	<b>Extension, Variation, Surrender, Cancellation, Transfer and Change In Control</b> General overview of process: <ul style="list-style-type: none"> <li>– Receipt of application.</li> <li>– Screening of application and re-submission.</li> <li>– Assessment of application.</li> <li>– Request/s for further information.</li> <li>– Meeting/s with applicant.</li> <li>– Consultation with the Regulator etc.</li> <li>– Provide advice and support to the Minister.</li> <li>– Procedural fairness and legal advice.</li> <li>– Implement the decision.</li> <li>– Maintain the Register of Licences (Chapter 5).</li> </ul>

4	<b>Administrative Activities</b> (Chapter 3, Chapter 5, Chapter 7)	<ul style="list-style-type: none"> <li>- Ongoing assessment of compliance with the legislation including conditions on the licence and review of annual licence reports.</li> <li>- Stakeholder engagement and dissemination of information outside of application process.</li> <li>- Legislative/Regulatory amendments.</li> <li>- Management of resources to undertake Registrar activities including staffing, contract management and risk management.</li> <li>- Special Account transactions, levy invoicing, refunds and review of cost recovery arrangements.</li> <li>- Management of statutory reviews, senate estimates and other oversight arrangements.</li> <li>- Corporate planning, divisional reporting, feedback and complaints, ad-hoc reports to the Minister.</li> <li>- Maintain guidance material for applicants including factsheets, application forms, submission guidance, website and training.</li> <li>- Legal Advice.</li> </ul>
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### 6.2.3 Costs of the regulatory charging activity

Direct and indirect costs are allocated to each output based on estimates of effort required (**Table 1**). Indirect costs are allocated on a per head basis.

Direct costs are budgeted at \$1,016,099 for 2022-23, \$1,066,410 for 2023-24 and \$1,087,739 for 2024-25 and comprise:

- Employee and associated expenses (e.g., salary, superannuation, leave entitlement, learning and development, professional memberships).
- Apportioned employee and associated expenses of the Executive, TIGS and BSU teams based on anticipated effort for OEI activities.
- Apportioned maintenance and support of the co-branded NOPTA/Registrar website and National Electronic Approvals Tracking System (**NEATS**).

The direct costs are readily identifiable in the financial management and information system. The Registrar will regularly undertake an exercise to validate the actual time spent on each function. The direct costs are allocated to various outputs based on estimated levels of effort.

Indirect costs are budgeted at \$199,412 for 2022-23, \$205,233 for 2023-24 and \$211,138 for 2024-25 and comprise:

- Overheads - Departmental and administration
- Office accommodation and utilities
- Travel, liaison and stakeholder engagement
- Legal advice and support

**Table 1:** Direct and indirect costs estimated for 2022-23 to 2024-25

Licence Assessments, Operations and Administration	Financial Year		
	2022-23	2023-24	2024-25
<b>Staff Costs including Staff Benefits (Direct)</b>			
EL2 Manager (1.0 FTE)	\$204,410	\$208,499	\$212,669
EL1 Titles Assistant Manager (1.0 FTE)	\$167,191	\$170,535	\$173,946
APS6 Titles Officer (1.0 FTE)	\$137,879	\$140,637	\$143,449
EL1 Commercial Officer (1.0 FTE)	\$167,191	\$170,535	\$173,946
EL1 Legislative Compliance Officer (1.0 FTE)	\$167,191	\$170,535	\$173,946
Specialist Technical Officer (Based on number of applications received)	\$30,600	\$61,200	\$62,424
SES Band 1 (0.1 FTE)	\$37,142	\$37,885	\$38,643
EL1 BSU Support (0.25 FTE)	\$41,798	\$42,634	\$43,486
IT Systems Support (0.25 FTE)	\$62,697	\$63,950	\$65,230
Sub-total (Direct Costs)	<b>\$1,016,099</b>	<b>\$1,066,410</b>	<b>\$1,087,739</b>
<b>Operational Administration Costs (Indirect)</b>			
Legal Advice and Support (Contract)	\$100,000	\$102,000	\$104,040
Liaison and Ongoing Stakeholder Engagement	\$32,500	\$35,000	\$37,500
Overheads (including overheads to the Dept)	\$45,600	\$46,510	\$47,440
Administration	\$21,312	\$21,723	\$22,157
Sub-total (Indirect Costs)	<b>\$199,412</b>	<b>\$205,233</b>	<b>\$211,138</b>
<b>Total</b>	<b>\$1,215,511</b>	<b>\$1,271,643</b>	<b>\$1,298,877</b>

## 6.2.4 Costs of the activity

The Registrar's total budget for OEI activities is \$1,215,511 for 2022-23, \$1,271,643 for 2023-24 and \$1,298,877 for 2024-25.

Based on analysis of effort required, **Table 2** shows the allocation of the Registrar's costs to outputs for 2022-23, 2023-24 and 2024-25 based on anticipated applications. The figures were derived by multiplying the direct and indirect costs of each team by the level of effort estimated to achieve each output.

**Table 2:** Cost allocated to outputs in 2022-23 to 2024-25

Output No.	Output	% Effort	Direct Costs			Indirect Costs			Total		
			2022-23	2023-24	2024-25	2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
1	Declaration of an area & Invitation to apply	10%	\$101,610	\$106,641	\$108,774	\$19,941	\$20,523	\$21,114	\$121,551	\$127,164	\$129,888
2,3,4	Feasibility Licence	70%	\$711,269	\$746,487	\$761,417	\$139,588	\$143,663	\$147,797	\$850,858	\$890,150	\$909,214
2,3,4	Commercial Licence	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2,3,4	Research & Demonstration Licence	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2,3,4	Transmission & Infrastructure Licence	10%	\$101,610	\$106,641	\$108,774	\$19,941	\$20,523	\$21,114	\$121,551	\$127,164	\$129,888
3,4	Transfer (all licences)	5%	\$50,805	\$53,321	\$54,387	\$9,971	\$10,262	\$10,557	\$60,776	\$63,582	\$64,944
3,4	Change In Control (all licences)	5%	\$50,805	\$53,321	\$54,387	\$9,971	\$10,262	\$10,557	\$60,776	\$63,582	\$64,944
Total		1	\$1,016,099	\$1,066,410	\$1,087,739	\$199,412	\$205,233	\$211,138	\$1,215,511	\$1,271,643	\$1,298,877

## 6.2.5 Design of regulatory charges

The Registrar's cost model has been designed to ensure stable revenue to enable effective regulation and management of its Special Account in line with Australian Government Charging Framework (AGCF).

The Registrar's cost recovery charges comprise an annual licence levy imposed on different types of licences and fees charged on applications made to the Registrar for the approval of activities under the OEI Act and regulations. As shown in **Table 3**, the cost recovery structure for the Registrar aims to be a 60:40 model with approximately 60 per cent of costs to be recovered through application fees and approximately 40 per cent of costs to be recovered through the annual licence levy. As a new framework, the majority of effort will be at the licence application stage, facilitating entrants into the framework. This approach aims to reflect the anticipated level of activity in the OEI industry in Australia but may vary once the industry becomes established. This structure will be reviewed and re-assessed as part of a regular CRIS review cycle.

**Table 3:** Cost recovery structure for OEI activities in 2022-23 to 2024-25

Cost Recovery Estimates	Financial Year		
	2022-23	2023-24	2024-25
Application Fees (60%)	\$729,307	\$762,986	\$779,326
Annual Licence Levies (40%)	\$486,204	\$508,657	\$519,551
<b>Total (100%)</b>	<b>\$1,215,511</b>	<b>\$1,271,643</b>	<b>\$1,298,877</b>

In the Registrar's view, transparency and stability in the level of fees and levies is important for providing consistency and clarity for industry, supporting a more predictable investment environment. It is proposed that fees and annual licence levies be reviewed in 24 months. The Registrar will maintain full transparency by notifying and consulting industry where required prior to any potential future increase.

#### **6.2.6 Cost recovery levy – Registrar**

An annual licence levy for licence administration is imposed on holders of OEI licences. The annual licence levy is payable in accordance with the *Offshore Electricity Infrastructure (Regulatory Levies) Regulations 2022* at 30 days after the grant of a licence and annually thereafter at the end of 30 days after the anniversary date of the grant of the licence. Where a licence is in force for less than 12 months, the annual licence levy is calculated for the period the licence remains in force. Annual licence levies are used to fund Registrar activities where it is not practical to attribute costs to a specific licence, for example, ongoing stakeholder engagement (including with prospective licence applicants), guidance material and legislative/policy support, licence compliance and monitoring, reporting, cancellation of licences and protection of confidential information.

The annual licence levy is forecast to make up around 40 per cent of the Registrar's revenue, providing a stable revenue stream that is dependent upon the current number and type of licences in force. Annual licence levy revenue estimates are based on the anticipated number of licences incorporating known upcoming activities. It is difficult to predict the number of potential licences, noting that there are currently no active licences. Furthermore, the number of licences granted may be less than the number of applications received due to the competitive nature of the licensing regime.

The structure for the annual licence levy (**Table 4**) is relatively easy to calculate, involving a:

- fixed base rate per licence for feasibility licence, commercial licence and research and demonstration licence plus an additional levy on a per square kilometre basis above the base area;
- fixed flat rate for a transmission and infrastructure licence, as effort is not affected by the area.

Consistent with the principles of the CRGs, annual licence levy amounts have been designed to encourage development in an efficient manner to encourage proponents to focus their area of activities by increasing the annual licence levy on a per square kilometre basis above a minimum area size. The application of a staggered annual licence levy for feasibility licence, commercial licence and research and demonstration licence also reflects the increased cost of administration for larger licence/project areas. This is consistent with the approach applied to other offshore industries. Under the framework there is a requirement for licence holders to continue to meet the merit criteria and commence activities within a reasonable time. Therefore, it is expected the amount of effort required to monitor and manage the ongoing compliance requirements, particularly the use of the complete licence area will increase with the size of the licence. The variable component intends to make sure the costs are split proportional to effort.

It is the Registrar's view that the annual licence levy structure is proportionate to the administrative complexity of the licence scheme and any over/under recovery across levy categories is reasonable.

**Table 4:** Annual licence levy revenue estimates for 2022-23 to 2024-25<sup>#</sup>

Licence Type	Estimated Total No. of licences			Proposed levy rate		Levy amount			Outputs funded
	2022-23	2023-24	2024-25	from 1 July 2022		2022-23	2023-24	2024-25	
				Base Levy	Additional Levy				
Feasibility licence	2	5	7	\$120,000 for up to and including 100 km <sup>2</sup>	\$1,000 per 10 km <sup>2</sup> above 100 km <sup>2</sup>	\$309,500	\$699,500	\$939,500	1,2,3,4
Commercial licence	0	0	0	\$150,000 for up to and including 100 km <sup>2</sup>	\$2,000 per 10 km <sup>2</sup> above 100 km <sup>2</sup>	\$0	\$0	\$0	2,3,4
Research & Demonstration Licence	0	0	0	\$120,000 for up to and including 100 km <sup>2</sup>	\$1,000 per 10 km <sup>2</sup> above 100 km <sup>2</sup>	\$0	\$0	\$0	1,2,3,4
Transmission & Infrastructure Licence	0	1	2	\$120,000 flat	N/A	\$0	\$120,000	\$240,000	2,3,4
<b>Levy Estimate</b>	<b>2</b>	<b>6</b>	<b>9</b>			<b>\$309,500</b>	<b>\$819,500</b>	<b>\$1,179,500</b>	

<sup>#</sup> The Estimated Total No. of licences is not a limit, and is an estimate only based on DISER understanding of likely interest at end 2021 to be tested during consultation.

### 6.2.7 Cost recovery fees – Registrar

Licence and licence-related application fees are payable in accordance with the *Offshore Electricity Infrastructure Regulations 2022* at the time that an application is submitted to the Registrar. Revenue from application fees fluctuates from year to year as they are dependent upon the timing, type and number of applications lodged.

The focus of the Registrar's activities in relation to licence-specific applications is on assessing compliance with the OEI Act, regulations and guidelines, the technical and financial ability of applicants to carry out licence-related activities, the suitability of the applicant to hold the licence and the likely viability of the proposed OEI project.

The application fees are forecast to make up around 60 per cent of the Registrar's revenue. However, this is dependent upon the number of applications lodged. It is difficult to predict the type and number of applications that may be lodged in this new industry. This cost recovery structure also allows for cost recovery early in the process, as the majority of the Registrar's effort will relate to the processing of applications, rather than waiting until licences are granted.

The application fees are calculated by applying a fixed/flat rate to the type of application submitted. Having a single flat fee for the majority of applications will be maintained as a part of the Registrar's revenue structure. The charging of different fee amounts for different application types is necessary to reflect the level of complexity of the assessment.

Fees have been estimated below in **Table 5** based on the predicted number of applications that may be submitted to the Registrar over the coming years. The number of application fees will fluctuate according to industry activity and is difficult to predict. There will be minor cross-subsidisation for the first few years as only limited types of applications are forecast based on declaration conditions and nascence of the industry. The Registrar will seek to address any cross-subsidisation in subsequent CRIS reviews.

**Table 5:** Application fee revenue estimates for 2022-23 to 2024-25<sup>#</sup>

Item and type of application	No. of applications			Application Fee	Total			Outputs funded
	2022-23	2023-24	2024-25		2022-23	2023-24	2024-25	
Grant of feasibility licence (s33)	2	3	3	\$300,000	\$600,000	\$900,000	\$900,000	2
Grant of commercial licence (s42)	0	0	0	\$350,000	\$0	\$0	\$0	2
Grant of research & demonstration licence (s52)	0	0	0	\$300,000	\$0	\$0	\$0	1,2
Grant of transmission & infrastructure licence (s61)	0	1	1	\$300,000	\$0	\$300,000	\$300,000	2
Extension of licence, all types (s37, s47, s56, s65)	0	0	0	\$36,500	\$0	\$0	\$0	3
Variation of licence, all types (s38, s48, s57, s66)	0	0	0	\$36,500	\$0	\$0	\$0	3
Surrender of licence, all types (s74)	0	0	0	\$22,500	\$0	\$0	\$0	3
Approval of transfer of licence, all types (s70)	0	0	0	\$35,500	\$0	\$0	\$0	3
Approval of change in control of a licence, all types (s87)	0	1	0	\$35,500	\$0	\$35,500	\$0	3
Inspection of documents (s111)	0	0	0	\$500	\$0	\$0	\$0	2,3
<b>Fees Estimate</b>	<b>2</b>	<b>5</b>	<b>4</b>		<b>\$600,000</b>	<b>\$1,235,500</b>	<b>\$1,200,000</b>	

<sup>#</sup> The No. of applications is not a limit, and is an estimate only based on DISER understanding of likely interest at end 2021 to be tested during consultation.

### 6.3 Risk Assessment

In accordance with the Charging Risk Assessment (CRA) template, the overall risk rating of the cost recovered activity is assessed as *high*. This is because the charges involve both fees and levies and require the development of a new cost recovery framework through regulations. This is due to OEI being a new framework.

The major budget risk for the Registrar would be a significant delay or decrease in the number of applications for licences and/or the number of licences granted (**Table 6**). The application fees and annual licence levy are the Registrar's only source of revenue.

To mitigate exposure to potential inconsistencies and unknown patterns in an emerging industry, the Registrar aims to build a reserve over the initial three-year period, to be maintained over future CRIS revisions, as a financially responsible measure. It is intended to maintain approximately \$1 million in reserve. This enables the Registrar to manage its cash flow as revenue fluctuates from month to month while cash outflows are relatively stable. It will also allow the Registrar to maintain a base staffing level to provide ongoing administration and assistance to the OEI sector. For significant fluctuations in industry activity, the Registrar may engage the services of short-term contractors as appropriate.



**Table 6:** Cost recovery structure for OEI activities in 2022-23 to 2024-25

Differential In Estimated Costs and Revenues	Financial Year		
	2022-23	2023-24	2024-25
<b>Application Fees</b>			
Required Application Fee Revenue (Approx. 60%)	\$729,307	\$762,986	\$779,326
Estimated Application Fee Revenue (As at January 2022)	\$600,000	\$1,235,500	\$1,200,000
<i>Potential differential</i>	<i>-\$129,307</i>	\$472,514	\$420,674
<b>Annual Licence Levies</b>			
Required Annual Levy Revenue (Approx. 40%)	\$486,204	\$508,657	\$519,551
Estimated Annual Levy Revenue (As at January 2022)	\$309,500	\$819,500	\$1,179,500
<i>Potential differential</i>	<i>-\$176,704</i>	\$310,843	\$659,949
<b>Totals</b>			
Required Cost Recovery (Fees and Levies)	<b>\$1,215,511</b>	<b>\$1,271,643</b>	<b>\$1,298,877</b>
Estimated Revenues (Fees and Levies)	\$909,500	\$2,055,000	\$2,379,500
<i>Potential differential</i>	<i>-\$306,011</i>	\$783,357	\$1,080,623

The Registrar will continue to monitor the cost recovery arrangements to ensure that they remain cost effective and equitable among applicants and licence holders. In addition, the proposed 60:40 structure allocation between fees and levies will be reviewed as part of the regular CRIS review cycle.

Any required increase in fees and/or levies will be considered as part of a CRIS review cycle. The Registrar will actively engage with industry representatives and raise issues relating to cost structures as they arise.

## 6.4 Stakeholder Engagement

### **Cost recovery consultation**

[To be included post consultation with industry]

## 6.5 Financial Estimates

Financial estimates are provided below in **Table 7**. As these financial estimates change, the CRIS will be updated accordingly.

**Table 7:** Summary of financial estimates for 2022-23 to 2024-25

	2022-23	2023-24	2024-25
Revenue	\$909,500	\$2,055,000	\$2,379,500
Expenses	\$1,215,511	\$1,271,643	\$1,298,877
Surplus/(Deficit)	<i>-\$306,011</i>	\$783,357	\$1,080,623

The Registrar will continue to assess fees and levies to ensure they are efficient, and report on cost effectiveness as part of its annual report of activities.

## 6.6 Non-Financial Performance

As soon as practicable after the end of each financial year, the Registrar is required to prepare and give to the Minister, for presentation to the Parliament, a report on the Registrar's activities under the OEI Act

for that year (section 159 of the OEI Act). This will occur through DISER's broader annual reporting process.

The Registrar will also publish a separate annual report of its activities, which is consistent with its input into DISER's annual report but is expanded to provide a broader overview of the Registrar's operations.

DRAFT

## **7 DISER (OFFSHORE RENEWABLE ENERGY SECTION)**

### **7.1 Description of the regulatory charging activity**

The ORE section within DISER is responsible for the ongoing development, implementation and operation of the framework including: identifying and assessing marine areas to inform Ministerial decision-making, ongoing policy and regulatory development and program management, administration and engagement activities. The ORE section is located in Canberra.

The ORE section was originally created to develop and implement the OEI framework and the section's work continues to be dedicated entirely to outputs relating to the framework. The section will continue to work with the Registrar and the Regulator to manage and co-ordinate Government activities relating to the administration and governance of the framework.

The OEI framework is designed to enable the development of an offshore electricity industry and to promote investment certainty. The need for the framework was driven by the industry and the ongoing Government activities involved in the implementation and operation of the framework are undertaken for the industry. As processes and outputs of the ORE section are undertaken specifically for the OEI industry, it is appropriate that the industry be required to fund such activities.

The ORE section will operate under full cost recovery charging, with an annual Commonwealth levy to be imposed on OEI licence holders.

### **7.2 Cost Recovery Model**

#### **7.2.1 Staffing**

As at 1 July 2022, the ORE section will have 11.0 FTE staff employed to support the ongoing development, implementation and operation of the OEI framework. The 11 FTE will comprise:

1. One full-time EL2 Manager (1.0 FTE)
2. Five full-time EL1 Assistant Managers (5.0 FTE)
3. Five full-time APS 6 Senior Policy Officers (5.0 FTE)

The section is supported by:

1. SES Band 1 Executive (0.2 FTE)

## 7.2.2 Outputs and tasks of the regulatory charging activity

The ORE section will have three primary outputs. These, along with the processes involved with each, are detailed below. All references are to the OEI Act unless otherwise described.

No	OUTPUT	PROCESS
1	<b>Declaration of an area</b> (Chapter 2)  Staff allocated: <ul style="list-style-type: none"> <li>– SES Band 1 (0.1 FTE)</li> <li>– EL2 (0.5 FTE)</li> <li>– EL1 (2.0 FTE)</li> <li>– APS 6 (2.0 FTE)</li> </ul>	<p><b>Process consultation, governance and guidance</b></p> <ul style="list-style-type: none"> <li>– Preparation and ongoing upkeep of internal and external guidance material and communications.</li> <li>– Consultation with other Commonwealth government departments.</li> <li>– Engagement with stakeholders.</li> <li>– Ongoing administration.</li> </ul> <p><b>Area Identification</b></p> <ul style="list-style-type: none"> <li>– Consultation.</li> <li>– Prioritisation assessment of nominated areas.</li> <li>– Ministerial briefing on proposed area for assessment for declaration.</li> <li>– Communication of area under assessment.</li> </ul> <p><b>Area Assessment</b></p> <ul style="list-style-type: none"> <li>– Identification of existing marine uses and users.</li> <li>– Assessment.</li> <li>– Identification of area boundary.</li> <li>– Consultation.</li> <li>– Public consultation notice and discussion paper.</li> </ul> <p><b>Public consultation</b></p> <ul style="list-style-type: none"> <li>– Drafting of public consultation notice and discussion paper.</li> <li>– Publish notice calling for submissions on DISER website.</li> <li>– Consultation.</li> <li>– Ongoing monitoring and administration of consultation process and submissions.</li> </ul> <p><b>Assessment of submissions</b></p> <ul style="list-style-type: none"> <li>– Assessment of public submissions.</li> <li>– Consultation.</li> <li>– Statement of Reasons.</li> </ul> <p><b>Recommendation to Minister</b></p> <ul style="list-style-type: none"> <li>– Drafting of declaration instrument.</li> <li>– Ministerial briefing.</li> </ul> <p><b>Declaration decision</b></p> <ul style="list-style-type: none"> <li>– Gazettal of declaration decision.</li> </ul>

2	<b>Policy development and regulatory improvement</b>  Staff allocated: <ul style="list-style-type: none"> <li>– SES Band 1 (0.05 FTE)</li> <li>– EL2 (0.25 FTE)</li> <li>– EL1 (2.0 FTE)</li> <li>– APS 6 (1.0 FTE)</li> </ul>	<b>Policy Development</b> <ul style="list-style-type: none"> <li>– Research and analysis.</li> <li>– Identify and plan for industry impact of policy development.</li> <li>– Input into whole of government policies.</li> <li>– Developing, maintaining and communicating policy and instructional material.</li> <li>– Policy submission and discussion papers.</li> <li>– Strategic planning and policy coordination.</li> </ul> <b>Regulatory Improvement</b> <ul style="list-style-type: none"> <li>– Development of legislation and legislative amendments.</li> <li>– Develop and consult on regulatory proposals.</li> </ul>
3	<b>Program management, administration and engagement</b>  Staff allocated: <ul style="list-style-type: none"> <li>– SES Band 1 (0.05 FTE)</li> <li>– EL2 (0.25 FTE)</li> <li>– EL1 (1.0 FTE)</li> <li>– APS 6 (2.0 FTE)</li> </ul>	<b>Program management</b> <ul style="list-style-type: none"> <li>– Industry research and reporting.</li> <li>– Ministerial and Executive briefings and submissions.</li> <li>– Cost recovery arrangements.</li> <li>– Advice to the Government and to Parliament.</li> </ul> <b>Administration</b> <ul style="list-style-type: none"> <li>– Ongoing administration and governance.</li> <li>– Internal and external enquiries management.</li> </ul> <b>Engagement</b> <ul style="list-style-type: none"> <li>– Internal and external guidance material and communications.</li> <li>– Development and maintenance of website.</li> <li>– Record keeping.</li> <li>– Engagement with other Commonwealth government departments.</li> <li>– Engagement with State and Territory governments.</li> <li>– Engagement with industry, community groups and other stakeholders.</li> </ul>

### 7.2.3 Costs of the activity

Direct and indirect costs of undertaking the processes and outputs of the ORE section (as shown above) are detailed in **Table 8**. Indirect costs have been allocated on a per head basis.

Direct costs are budgeted at \$1,555,516 for 2022-23, \$1,563,037 for 2023-24 and \$1,573,108 for 2024-25 and comprise:

- Employee and associated expenses (e.g., salary, superannuation, leave entitlements, training and development)
- Workers' compensation premiums

Indirect costs are budgeted at \$334,514 for 2022-23, \$336,476 for 2023-24 and \$339,103 for 2024-25 and comprise:

- ICT systems and desktop support
- Organisational services
- Human resources support
- Office accommodation and utilities
- Legal advice
- Travel

**Table 8:** Direct and indirect costs estimated for 2022-23 to 2024-25

	Financial Year		
	2022-23	2023-24	2024-25
<b>Staff Costs including Staff Benefits (Direct)</b>			
EL2 Team Manager (1.0 FTE)	\$151,639	\$152,529	\$153,720
EL1 Assistant Manager (4.0 FTE)	\$604,280	\$607,825	\$612,571
APS6 Senior Policy Officer (5.0 FTE)	\$481,223	\$484,046	\$487,826
SES Band 1 (0.2 FTE)	\$45,055	\$45,319	\$45,673
Sub-total (Direct Costs)	<b>\$1,555,516</b>	<b>\$1,563,037</b>	<b>\$1,573,108</b>
<b>Marginal (Indirect) Costs</b>			
ICT Systems and Desktop Support	\$59,766	\$60,465	\$60,937
Organisational Services	\$74,682	\$75,556	\$76,146
Human Resources Support	\$15,172	\$15,349	\$15,469
Office Accommodation and Utilities	\$140,825	\$142,473	\$143,585
Legal Advice	\$29,120	\$29,461	\$29,691
Travel	\$13,020	\$13,172	\$13,275
Sub-total (Indirect Costs)	<b>\$334,514</b>	<b>\$336,476</b>	<b>\$339,103</b>
<b>Total</b>	<b>\$1,890,029</b>	<b>\$1,899,513</b>	<b>\$1,912,211</b>

The ORE section total budget is \$1,890,029 for 2022-23, \$1,899,513 for 2023-24 and \$1,912,211 for 2024-25.

**Table 9** shows the percentage of staff effort required to deliver each output and the subsequent total cost for the 2022-23, 2023-24 and 2024-25 financial years.

**Table 9: Cost allocated to outputs for 2022-23 to 2024-25**

Output No:	Output	% Effort	Direct Costs			Marginal (Indirect) Costs			Total		
			2022-23	2023-24	2024-25	2022-23	2023-24	2024-25	2022-23	2023-24	2024-25
1	Declaration of an area	41	\$637,505	\$640,588	\$644,715	\$135,620	\$136,416	\$137,481	\$773,125	\$777,003	\$782,196
2	Policy development and regulatory improvement	30	\$474,027	\$476,319	\$479,388	\$99,480	\$100,064	\$100,845	\$573,507	\$576,383	\$580,233
3	Program management, administration and engagement	29	\$443,983	\$446,130	\$449,004	\$99,537	\$100,121	\$100,902	\$543,520	\$546,251	\$549,907
Total		100	\$1,555,516	\$1,563,037	\$1,573,108	\$334,637	\$336,600	\$339,228	\$1,890,153	\$1,899,637	\$1,912,336

### 7.2.4 Cost recovery levy – DISER (ORE Section)

An annual Commonwealth levy will be imposed on holders of OEI licences. This levy is payable in accordance with the *Offshore Infrastructure Act 2021*, the *Offshore Infrastructure (Regulatory Levies) Act 2021* and the *Offshore Electricity Infrastructure (Regulatory Levies) Regulations 2022*. The levy is payable upon the grant of a licence and annually thereafter within 30 days of the anniversary of the licence. The levy is payable every 12 months calculated on the anniversary of the licence, the calendar month in which the anniversary falls does not have any bearing on the amount of levy payable.

Annual Commonwealth levy revenue estimates (**Table 10**) are based on the anticipated number of granted licences in the forward years. It is difficult to predict the number of potential licence grants given this is a new industry and there are currently no active licences.

The annual Commonwealth levy will recover the costs associated with the delivery of outputs 2 (Policy development and regulatory improvement) and 3 (Program management, administration and engagement) from all licence holders. The processes involved in the delivery of these outputs, for example policy development, administration and engagement, are undertaken for the benefit of all OEI licence holders equally and not for the benefit of any one licence type. These processes comprise the core work of the ORE section and are critical to maintaining an efficient and effective OEI framework.

The costs associated with the delivery of output 1 (Declaration of an area) are imposed on feasibility licence holders only. The declaration of an area as suitable for offshore renewable energy infrastructure is required before a feasibility or research or demonstration licence can be granted.

Consideration was given to also charging commercial licence holders for costs associated with the delivery of output 1, however because it is not anticipated that any commercial licences will be granted in 2022-23, 2023-24 or 2024-25, doing so would result in a significant delay in the ORE section's ability to fully recover costs and would create a persistent deficit.

The purpose of a research and demonstration licence is to research or demonstrate the feasibility or capabilities of new, emerging or under-researched technologies or processes. As projects undertaken under this licence type are intended to advance understanding of new offshore technologies and further develop the capability of OEI, this licence type has been identified as a public good and therefore partial cost recovery, by way of charging only the costs associated with the delivery of

outputs 2 and 3, is considered appropriate. However, it is not anticipated that any research and demonstration licences will be granted in 2022-23, 2023-24 and 2024-25.

Applications for transmission and infrastructure licences are not dependent on an area being declared by the Minister. Therefore the annual Commonwealth levy imposed on these licence holders will not include costs associated with the delivery of output 1.

**Table 10:** Annual Commonwealth levy revenue estimate for 2022-23 to 2024-25<sup>#</sup>

Licence Type	Estimated total number of granted licences			Proposed Annual Commonwealth Levy	Total estimated levy			Outputs funded
	2022-23	2023-24	2024-25		2022-23	2023-24	2024-25	
Feasibility Licence	2	5	7	\$364,818	\$729,636	\$1,824,091	\$2,553,728	1,2,3
Commercial Licence	0	0	0	*\$198,224	\$0	\$0	\$0	2,3
Research & Demonstration Licence	0	0	0	*\$198,224	\$0	\$0	\$0	2,3
Transmission & Infrastructure Licence	0	1	2	\$198,224	\$0	\$198,224	\$396,447	2,3
<b>Total</b>					<b>\$729,636</b>	<b>\$2,022,315</b>	<b>\$2,950,175</b>	

<sup>#</sup> The Estimated total number of granted licences is not a limit, and is an estimate only based on DISER understanding of likely interest at end 2021 to be tested during consultation.

\* It is not anticipated that any commercial, or research and demonstration, licences will be granted in 2022-23, 2023-24 or 2024-25. At this stage, these figures are placeholders only. The proposed annual Commonwealth levy imposed on these licence holders will be reviewed in the event an application for a commercial, or research and demonstration licence is received or when this CRIS is reviewed in accordance with the Australian Government Charging Framework.

### 7.3 Risk Assessment

In accordance with the CRA template, the ORE section has assessed the overall risk rating of the cost recovered activity as *high*. This is because the cost recovery charging is for a new activity and the expected impact on industry is high given the cumulative effect of the Registrar, ORE section and the Regulator's cost recovery charging.

The major risk for the ORE section would be a significant increase or decrease in the number of licences granted by the Registrar. This could result in either a substantial revenue deficit or surplus.

The ORE section will continue to engage with the Registrar and industry to monitor the cost recovery arrangements to ensure that they remain cost effective and equitable among licence holders.

### 7.4 Stakeholder Engagement

#### *Cost recovery consultation*

[To be included post consultation with industry]



## 7.5 Financial Estimates

Financial estimates are provided below in **Table 11**. As these financial estimates change, the CRIS will be updated accordingly.

**Table 11:** Summary of financial estimates for 2022-23 to 2024-25

	2022-23	2023-24	2024-25	Total over forward years
Revenue	\$729,636	\$2,022,315	\$2,950,175	\$5,702,126
Expenses	\$1,890,153	\$1,899,637	\$1,912,336	\$5,702,126
Surplus/(Deficit)	-\$1,160,516	\$122,678	\$1,037,838	\$0

The anticipated revenue for 2022-23 is not likely to be received until the end of the financial year at the earliest.

The OEI framework is due to commence on 2 June 2022 unless an earlier date is fixed by proclamation. Once the framework commences, there are a number of processes required before certain licences can be applied for. This includes the declaration of an area as suitable for offshore renewable energy infrastructure and the commencement of supporting regulations that, amongst other things, set out the licensing scheme. Once these processes have been undertaken, it will take additional time for the Registrar to assess any applications and for the Minister to grant licences. As a result it is anticipated that cost recovery charging for the ORE section's regulatory activities will not commence until mid-2023 at the earliest.

As the OEI framework is new, and the industry in its infancy, it is anticipated that it will take until late 2023-24 for the ORE section to potentially be operating with a surplus. It will take time for the industry to develop and for the cumulative effect of granted licences to reach a point where full cost recovery is occurring.

## 8 OFFSHORE INFRASTRUCTURE REGULATOR

### 8.1 Description of the regulatory charging activity

The OEI Act defines NOPSEMA as the Regulator. NOPSEMA is an independent statutory authority established as the National Offshore Petroleum Safety Authority (**NOPSA**) on 1 January 2005 and expanded with additional responsibilities to become NOPSEMA on 1 January 2012.

The OEI Act provides that the Regulator will have core responsibilities for work health and safety, infrastructure integrity, environmental management, and financial securities for OEI activities in Commonwealth offshore areas. In addition, the Regulator will provide specialist technical advice and support to DISER, the Minister for Energy and the Registrar in relation to the performance of their functions and related activities under the OEI Act as well as performing a critical role in advising the industry and broader community on the operation of, and compliance with, the OEI regime.

Effective regulation of high hazard, technically complex offshore industries requires a regulator to hold and maintain a core staff of highly qualified and experienced regulatory personnel including engineers, work health and safety specialists and environmental management practitioners. This approach is consistent with leading practice internationally. Through providing NOPSEMA the functions of the Regulator under the OEI Act the specialist technical expertise of the organisation can be effectively leveraged to deliver regulatory functions at reduced cost to the industry.

The Regulator has the capacity to appoint inspectors under section 192 of the OEI Act and will deliver the primary compliance monitoring and investigation functions under the framework in relation to licence holder compliance with requirements under the OEI Act and its regulations.

The Regulator will fulfil its statutory functions by undertaking assessment, inspection, investigation, enforcement, promotion and advisory activities. The Regulator's statutory functions are to be fully cost recovered through a combination of fees and levies. These activities are separately identifiable tasks that can be allocated to an appropriate levy or charged as a fee. The activities are undertaken on a not-for-profit basis.

Under the OEI Act, the Regulator has the following legislated functions:

- To promote the work health and safety of persons engaged in offshore infrastructure activities;
- To develop and implement effective monitoring and enforcement strategies to secure compliance by persons with their obligations under the OEI Act, the applied work health and safety provisions or a licence or in relation to matters related to the following:
  - (i) work health and safety;
  - (ii) environmental management;
  - (iii) the infrastructure integrity of offshore renewable energy infrastructure and offshore electricity transmission infrastructure;
- To investigate accidents, occurrences and circumstances:
  - (i) that affect, or have the potential to affect, the work health and safety of persons engaged in offshore infrastructure activities; or
  - (ii) that involve, or may involve, deficiencies in environmental management in connection with offshore infrastructure activities; or

- (iii) that involve or may involve deficiencies in the infrastructure integrity of offshore renewable energy infrastructure or offshore electricity transmission infrastructure;
- To report, as appropriate, to the Minister on investigations;
  - To advise persons, either on its own initiative or on request, on matters relating to work health and safety, environmental protection and infrastructure integrity in connection with offshore infrastructure activities;
  - To make reports, including recommendations, to the Minister on issues relating to work health and safety, environmental protection and infrastructure integrity in connection with offshore infrastructure activities;
  - To provide information, assessments, analysis, reports, advice and recommendations to the Minister in relation to the administration and functioning of the OEI Act and the applied work health and safety provisions;
  - To cooperate with the Registrar in matters relating to the administration and enforcement of the OEI Act and the applied work health and safety provisions;
  - To cooperate with other Commonwealth, State or Territory agencies and authorities having functions relating to the regulation of offshore infrastructure activities;
  - To perform the functions conferred on the Regulator by the applied work health and safety provisions;
  - To perform such other functions as are conferred on the Regulator by or under the OEI Act; and
  - To do anything incidental to or conducive to the performance of any of the above functions.

The functions of the Regulator may be performed within or outside Australia. The Regulator will share offices with NOPSEMA, NOPTA and the Registrar located in Perth and Melbourne.

### **Operational cost drivers**

NOPSEMA is a Corporate Commonwealth Entity and has operated on a full cost recovery basis since 1 January 2005. NOPSEMA's ability to effectively administer and discharge its functions as the Regulator under the OEI Act is underpinned by access to sufficient resources, capacity, and qualified personnel. In order to reduce regulatory costs while the offshore electricity infrastructure industry is becoming established, it is intended that the Regulator will utilise the specialist technical expertise and capability of NOPSEMA staff as needed during periods of peak workload and to support regulatory activities such as the assessment of regulatory applications. In addition to accessing specialist expertise where required, the Regulator will need to maintain core staffing to deliver its functions on an ongoing basis from commencement of the framework. Crucially this will involve provision of guidance and advice to the industry, government and broader stakeholders in relation to the requirements of the regime.

Core staffing will be modified over time in response to industry activity levels and associated regulatory activities. Costs associated with core staffing and the utilisation of NOPSEMA staff to deliver the functions of the Regulator will be fully recovered through fees and levies collected under the OEI framework.

Importantly, there is distinct legislative separation between NOPSEMA's functions, duties and cost recovery in relation to offshore petroleum and greenhouse gas storage and the functions, duties and cost recovery of the Regulator under the OEI Act. Government has directed that there is to be no cross-subsidisation between NOPSEMA and the Regulator.

The Regulator is to be fully funded through the cost recovery fees and levies imposed under the OEI legislation. The Regulator does not receive an annual departmental appropriation and does not have any other available funding streams.

## **8.2 Cost Recovery Model**

### **8.2.1 Outputs and business processes of the regulatory charging activity**

From 1 July 2022, the Regulator will have 4.0 FTE staff (including contractors) employed to deliver its legislated functions under the OEI Act:

1. One full-time EL1 Team Lead (1.0 FTE)
2. Three full-time APS6 Senior Advisors (3.0 FTE)

From 1 January 2023, the Regulator will have 5.0 FTE staff (including contractors) employed to deliver its legislated functions under the OEI Act:

1. One full-time EL2 Team Manager (1.0 FTE)
2. One full-time EL1 Regulatory Specialist (1.0 FTE)
3. Three full-time APS6 Senior Advisors (3.0 FTE)

From 1 January 2024, the Regulator will have 8.0 FTE staff (including contractors) employed to deliver its legislated functions under the OEI Act:

1. One full-time EL2 Team Manager (1.0 FTE)
2. Two full-time EL1 Regulatory Specialists (2.0 FTE)
3. Four full-time APS6 Senior Advisors (4.0 FTE)
4. One full-time APS4 Regulatory Assistant (1.0 FTE)

These teams will be supported by:

1. Information Technology Team (0.4 FTE)
2. Legal and Risk Team (0.3 FTE)
3. Office of the Chief Executive (0.4 FTE)
4. Finance and Human Resources Teams (0.6 FTE)

The costs of the above functions are allocated across the Regulator's OEI activities based on estimations of effort.

## 8.2.2 Outputs and business processes

All references are to the OEI Act unless otherwise stated.

No	ACTIVITIES	PROCESS
1	<b>Declaration of an area</b> (Chapter 2)	<b>Area identification and declaration</b> <ul style="list-style-type: none"> <li>– Provision of operational and regulatory advice to DISER.</li> <li>– Provision of information, assessments, analysis, reports, advice and recommendations to the Minister in relation to the administration and functioning of the OEI Act (on request).</li> <li>– Engagement, provision of advice and guidance to potential applicants on matters relating to work health and safety, environmental protection, infrastructure integrity, financial securities and compliance with the Act and regulations in connection with proposed licences and offshore infrastructure activities in declared areas.</li> </ul>
2	<b>Feasibility Licence</b> (Chapter 3)	<b>Grant, Extension, Variation, Surrender, Cancellation</b> <i>General overview of process</i> <ul style="list-style-type: none"> <li>– Consultation and provision of information to the Registrar on request.</li> <li>– Stakeholder engagement and promotion of good practice both prior to grant and during the life of a licence.</li> <li>– Provision of information, assessments, analysis, reports, advice and recommendations to the Minister in relation to the administration and functioning of the OEI Act (on request).</li> <li>– Engagement, provision of advice and guidance to potential applicants on matters relating to work health and safety, environmental protection, infrastructure integrity, financial securities and compliance with the Act and regulations in connection with proposed licences and offshore infrastructure activities in declared areas.</li> <li>– Cooperation with other Commonwealth, State and Territory agencies and authorities having functions relating to the regulation of offshore infrastructure activities.</li> <li>– Ongoing compliance monitoring activities, inspections and investigations against licence conditions.</li> <li>– As-required enforcement activities including directions, notices, infringements, civil and criminal prosecutions.</li> </ul>
3	<b>Commercial Licence</b> (Chapter 3)	See item 2 for general overview of process.
4	<b>Research and Demonstration Licence</b> (Chapter 3)	See item 2 for general overview of process.
5	<b>Transmission and Infrastructure Licence</b> (Chapter 3)	See item 2 for general overview of process.
6	<b>Transfers</b> (Chapter 3)	<b>Transfer of licence</b> <ul style="list-style-type: none"> <li>– Consultation and provision of regulatory information to the Registrar.</li> </ul>
7	<b>Change in Control</b> (Chapter 3)	<b>Change in control in relation to licence</b> <ul style="list-style-type: none"> <li>– Consultation and provision of regulatory information to the Registrar.</li> </ul>

8	<b>Design Notification</b> (Chapters 4 and 5)	<ul style="list-style-type: none"> <li>- Receipt of applications.</li> <li>- Assessment of applications (including any procedural fairness requirements).</li> <li>- Consultation with the Registrar (where applicable).</li> <li>- Implementation of decisions.</li> <li>- Dissemination and publication of information.</li> <li>- Ongoing assessment of revisions.</li> <li>- Stakeholder engagement and promotion of good practice both prior to and during the assessment.</li> <li>- Core process development, implementation and maintenance.</li> <li>- Developing and maintaining guidance material for applicants and licence holders.</li> <li>- Developing and maintaining a regulatory management system and associated records.</li> <li>- Cooperation with other Commonwealth, State and Territory agencies and authorities having functions relating to the regulation of offshore infrastructure activities.</li> </ul>
9	<b>Management Plan/Revision</b> (Chapters 2, 4, 5, 6 and 7)	<ul style="list-style-type: none"> <li>- Receipt of applications.</li> <li>- Assessment of applications (including any procedural fairness and public consultation requirements).</li> <li>- Consultation with the Registrar (where applicable).</li> <li>- Implementation of decisions.</li> <li>- Dissemination and publication of information.</li> <li>- Ongoing assessment of revisions.</li> <li>- Determination and ongoing administration of financial securities.</li> <li>- Ongoing compliance monitoring activities, inspections and investigations.</li> <li>- As-required enforcement activities including directions, notices, infringements, civil and criminal prosecutions.</li> <li>- Infrastructure decommissioning planning and oversight.</li> <li>- Developing and maintaining guidance material for applicants and licence holders.</li> <li>- Developing and maintaining a regulatory management system and associated records.</li> <li>- Cooperation with other Commonwealth, State and Territory agencies and authorities having functions relating to the regulation of offshore infrastructure activities.</li> </ul>
10	<b>Safety Zones</b> (Chapter 4)	<ul style="list-style-type: none"> <li>- Receipt of applications.</li> <li>- Assessment of applications (including any procedural fairness requirements).</li> <li>- Consultation with the Registrar (where applicable).</li> <li>- Implementation of decisions.</li> <li>- Dissemination and publication of information.</li> <li>- Ongoing compliance monitoring activities, inspections and investigations.</li> <li>- As-required enforcement activities.</li> <li>- Developing and maintaining guidance material for applicants and licence holders.</li> <li>- Developing and maintaining a regulatory management system and associated records.</li> <li>- Cooperation with other Commonwealth, State and Territory agencies and authorities having functions relating to the regulation of offshore infrastructure activities.</li> </ul>

<b>11</b>	<b>Protection Zones</b> (Chapter 4)	See <b>Item 10</b> for general overview of process.
<b>12</b>	<b>Legislative development</b> (Chapters 2-7)	<ul style="list-style-type: none"> <li>– Provision of operational and regulatory advice to DISER on ongoing policy and regulatory development and reform.</li> <li>– Development of drafting instructions and liaison with relevant state and commonwealth government agencies in relation to regulatory initiatives.</li> <li>– Consultation with relevant stakeholders on regulatory initiatives and requirements.</li> </ul>
<b>13</b>	<b>Regulatory Implementation</b> (Chapter 5)	<ul style="list-style-type: none"> <li>– Development and implementation of regulatory policies and guidance.</li> <li>– Development and implementation of regulatory management systems, electronic approvals tracking, consultation platforms, inspection, investigation and enforcement systems.</li> </ul>
<b>14</b>	<b>Engagement</b> (Chapter 5)	<ul style="list-style-type: none"> <li>– Consultation and engagement with industry on requirements of and compliance with the regime.</li> <li>– Cooperation with other Commonwealth, State and Territory agencies and authorities having functions relating to the regulation of offshore infrastructure activities.</li> <li>– Consultation and engagement with domestic and international stakeholders.</li> <li>– Development and ongoing management of website and communications collateral.</li> <li>– Management of feedback and complaints.</li> </ul>
<b>15</b>	<b>Governance</b> (Chapter 5)	<ul style="list-style-type: none"> <li>– Management of resourcing to deliver regulatory functions.</li> <li>– Management of cost recovery through fees and levies.</li> <li>– Management of statutory reviews, senate estimates and other oversight arrangements.</li> <li>– Corporate planning, annual reporting, ad-hoc reports to the Minister.</li> <li>– ICT and record keeping.</li> </ul>

### 8.2.3 Costs of the regulatory charging activity

Direct and indirect costs are allocated to each output based on management estimates of effort required (**Table 12**). Indirect costs are allocated using headcount.

Direct costs (**Table 13**) are budgeted at \$1,178,643 for 2022-23, \$1,600,266 for 2023-24, and \$1,879,357 for 2024-25, and are made up of:

- Employee and associated expenses (e.g. salary, superannuation, leave entitlement, learning and development, professional membership)
- Liaison and engagement (Travel and Accommodation)
- IT Systems development, implementation, and maintenance (website, regulatory management system)
- External contract expertise and contract maintenance
- Legal advice and support

The direct costs are readily identifiable in the financial management and information system. Managers allocate and verify time on the key outputs and business processes. The Regulator will time write to validate the actual time spent on each function. The direct costs are allocated to various outputs based on estimated levels of effort.

Indirect costs (**Table 13**) are budgeted at \$522,320 for 2022-23, \$761,021 for 2023-24, and \$944,280 for 2024-25 and are made up of:

- Information Technology Support
- Legal and Risk Support
- Office of the Chief Executive Support
- Finance and Human Resources Support

**Table 12:** Budgeted costs of outputs for 2022-23 to 2024-25

	2022-23	2023-24	2024-25
Direct costs	1,178,643	1,600,266	1,879,357
Indirect costs	522,320	761,021	944,280
<b>Total costs</b>	<b>\$1,700,963</b>	<b>\$2,361,287</b>	<b>\$2,823,637</b>



**Table 13:** Direct and indirect costs estimated for 2022-23 to 2024-25

Delivery of Regulatory Functions	Financial Year		
	2022-23	2023-24	2024-25
<b>Staff Costs including Staff Benefits (Direct)</b>			
EL2R Regulatory Team Manager	\$173,286	\$344,456	\$352,897
EL1R Regulatory Specialist	\$270,489	\$272,426	\$272,272
EL1R Regulatory Specialist		\$136,213	\$272,272
APS6 Regulatory Officer/Senior Advisor	\$129,564	\$133,623	\$135,498
APS6 Regulatory Officer/Senior Advisor	\$129,564	\$133,623	\$135,498
APS6 Regulatory Officer/Senior Advisor	\$129,564	\$133,623	\$135,498
APS6 Regulatory Officer/Senior Advisor		\$66,811	\$135,498
APS4 Regulatory Assistant		\$49,251	\$100,630
SES Band 1	\$78,697	\$80,240	\$89,294
Liaison and Engagement (Travel, accommodation)	\$22,480	\$50,000	\$50,000
IT Systems Development, Implementation & Maintenance	\$95,000	\$50,000	\$50,000
External contract expertise and contract maintenance	\$100,000	\$100,000	\$100,000
Legal advice and support	\$50,000	\$50,000	\$50,000
Sub-total (Direct Costs)	<b>\$1,178,643</b>	<b>\$1,600,266</b>	<b>\$1,879,358</b>
<b>Indirect Costs</b>			
Information Technology Support	\$103,549	\$150,871	\$187,202
Legal and Risk Support	\$49,471	\$72,079	\$89,436
Office of the Chief Executive Support	\$98,591	\$143,647	\$178,238
Finance and Human Resources Support	\$92,519	\$134,800	\$167,261
Office Accommodation and Administration Support	\$178,190	\$259,624	\$322,143
Sub-total (Indirect Costs)	<b>\$522,320</b>	<b>\$761,021</b>	<b>\$944,280</b>
<b>Total</b>	<b>\$1,700,963</b>	<b>\$2,361,287</b>	<b>\$2,823,637</b>

#### 8.2.4 Costs of the activity

The Regulator's total budget for OEI activities is \$1,700,963 for 2022-23, \$2,361,287 for 2023-24 and \$2,823,637 for 2024-25.

Based on analysis of effort required, **Table 14** shows the allocation of the Regulator's costs to outputs for 2022-23 to 2024-25 based on anticipated operational licences and consequent regulatory activities. The figures were derived by multiplying the direct and indirect costs of each specialist team by the level of effort estimated to achieve each output.

**Table 14:** Cost allocated to outputs 2022-23 to 2024-25

Output No.	Output	%	FY2022-23			%	FY2023-24			%	FY2024-25		
			Effort	Direct Cost	Indirect Cost		Effort	Direct Cost	Indirect Cost		Effort	Direct Cost	Indirect Cost
			2022-23	2022-23	2022-23		2023-24	2023-24	2023-24		2024-25	2024-25	2024-25
1	Declaration of an area	6%		\$70,689	\$31,326			\$127,974	\$60,859			\$43,778	\$21,996
2	Feasibility Licence	5%		\$53,494	\$23,706			\$103,468	\$49,205			\$105,068	\$52,791
3	Commercial Licence	0%		0	0			0	0			0	0
4	Research and Demonstration Licence	0%		0	0			0	0			0	0
5	Transmission and Infrastructure Licence	0%		0	0		2%	\$34,489	\$16,402		2%	\$35,023	\$17,597
6	Transfer (all licences)			0	0			0	0			0	0
7	Change in Control (all licences)			0	0			0	0			0	0
8	Design Notification	0%		0	0		0%	0	0		6%	\$114,699	\$57,630
9	Management Plan	0%		0	0		0%	0	0		12%	\$229,398	\$115,261
10	Management Plan Revision	0%		0	0		0%	0	0		0%	0	0
11	Safety Zone	0%		0	0		0%	0	0		6%	\$114,699	\$57,630
12	Protection Zone	0%		0	0		0%	0	0		6%	\$114,699	\$57,630
13	Legislative Development	11%		\$127,813	\$56,641		10%	\$161,737	\$76,916		6%	\$112,948	\$56,750
14	Regulatory Operations	33%		\$394,091	\$174,643		31%	\$498,691	\$237,157		29%	\$542,632	\$272,644
15	Engagement	22%		\$255,627	\$113,282		20%	\$323,475	\$153,831		12%	\$221,693	\$111,389
16	Governance	23%		\$276,929	\$122,722		22%	\$350,431	\$166,651		13%	\$244,721	\$122,959
<b>Total</b>		<b>100%</b>		<b>\$1,178,643</b>	<b>\$522,320</b>		<b>100%</b>	<b>\$1,600,266</b>	<b>\$761,021</b>		<b>100%</b>	<b>\$1,879,358</b>	<b>\$944,280</b>
					<b>\$1,700,963</b>				<b>\$2,361,287</b>				<b>\$2,823,637</b>

### 8.2.5 Design of regulatory charges

The Regulator's cost model has been designed to ensure stable revenue to enable effective delivery of regulatory services on an ongoing basis. In order to achieve this outcome, the Regulator will need to have access to sufficient resources, capacity, and qualified personnel. It is proposed that this will be delivered through a combination of levies and fees which will allow the Regulator to implement an agile structure that can be responsive to changes in industry activity and associated workload over time.

The Regulator's cost recovery charges comprise an annual compliance levy implemented through different types of licences and fees charged on applications made to the Regulator for the approval of activities under the OEI Act and regulations (**Table 15**).

The Regulator will be required to establish and maintain a core team to deliver regulatory services on an ongoing basis from commencement of the legislative framework (2 June 2022). This team will be required to develop and maintain core processes and systems; provide regulatory and operational advice to government on continued development, implementation and maintenance of the legislative and regulatory regime; provide advice and support to DISER, the Registrar and the Minister in relation to declaration and licencing processes; provide guidance and advice to industry and external stakeholders on the requirements of, and compliance with, the regime; undertake compliance monitoring, investigation and enforcement activities and meet governance and reporting requirements in accordance with the OEI Act and other legislative frameworks. The cost recovery structure will seek to recover the full costs associated with the delivery of regulatory services through this core team, which are likely to be the majority of regulatory costs in the early stages of the framework, from annual levies on operational licences under the regime as described further below.

Additional costs will be incurred by the Regulator associated with receiving, assessing, and making decisions on applications required under the OEI framework. Assessment of these applications will require specialist technical skills to be accessed from existing NOPSEMA staff and/or from external sources where additional expertise are required. The nature and scale of regulatory submissions to the Regulator are likely to be highly variable dependent on the projects to which the applications relate. For example, a management plan for construction, commissioning and operation of a single interconnector cable on a transmission and infrastructure licence is likely to be far less complex and therefore require significantly less regulatory effort, than a management plan for a large-scale offshore wind farm project involving hundreds of turbines and associated in field and export infrastructure across a broad geographic area.

In order to ensure that costs associated with assessing these plans are equitably recovered from regulated entities it is proposed that application fees will be calculated on a cost for effort basis as described further below.

**Table 15:** Cost recovery structure for OEI activities in 2022-23 to 2024-25

Cost Recovery Estimates	Financial Year		
	2022-23	2023-24	2024-25
Annual Levies	\$1,300,000	\$3,350,000	\$4,550,000
Application Fees	\$0	\$0	\$550,000
<b>Total</b>	<b>\$1,300,000</b>	<b>\$3,350,000</b>	<b>\$5,100,000</b>

In the Regulator's view, transparency and stability in the level of fees and levies is critical to providing consistency and clarity for industry and enabling potential licence holders to engage with and understand their obligations under the regime. It is proposed that fees and levies be reviewed within 24 months of commencement. The Regulator will maintain full transparency by notifying and consulting industry where required prior to any potential future changes to cost recovery amounts or structures.

### 8.2.6 Cost recovery levies – Regulator

Prior to any activities commencing under the OEI regime the Regulator will need to be established and delivering regulatory functions. To allow cost recovery to occur at the earliest practicable point in the OEI lifecycle it is proposed that the bulk of costs associated with delivery of the functions of the Regulator will be recovered through an annual compliance levy imposed on each licence granted under the regime (**Table 16**). Effective regulatory oversight will necessitate advice, guidance, compliance monitoring and other regulatory services being provided to licencees. Particularly in the early stages of the regime an annual levy will provide the Regulator with a necessary stable funding base to allow delivery of its regulatory functions.

It is proposed that the annual compliance levy be constructed such that licences under which commercial projects will be developed and operated attract proportionately higher levies than licences for research and development projects. This differentiation will be achieved through setting a base rate for each licence type with a variable component calculated on the basis of total licence area. The variable component of the levy will ensure that larger scale projects, which are likely to have more frequent and complex offshore infrastructure activities, attract proportionately higher levies. Transmission and infrastructure licences will attract a flat per licence rate as it is not anticipated that the length of transmission infrastructure will significantly alter required regulatory effort.

**Table 16:** Annual compliance levy revenue estimates for 2022-23 to 2024-25<sup>#</sup>

Title Type	Estimated Total No. of licences				Proposed levy rate from 1 July 2022		Levy amount		
				Area Km <sup>2</sup>	First 100 Km <sup>2</sup>		2022-23	2023-24	2024-25
	2022-23	2023-24	2024-25						
Feasibility licence	2	5	7	700	\$200,000	\$7,500 per 10km <sup>2</sup> thereafter	\$1,300,000	\$3,250,000	\$4,550,000
Commercial licence	0	0	0	500	\$300,000	\$10,000 per 10km <sup>2</sup> thereafter	\$0	\$0	\$0
Research & demonstration licence	0	0	0	100	\$100,000	\$5,000 per 10km <sup>2</sup> thereafter	\$0	\$0	\$0
Transmission & infrastructure licence	0	1	2	N/A	N/A	\$100,000	\$0	\$100,000	\$200,000
<b>Levy Estimate</b>							<b>\$1,300,000</b>	<b>\$3,350,000</b>	<b>\$4,750,000</b>

<sup>#</sup> The Estimated Total No. of licences is not a limit, and is an estimate only based on DISER understanding of likely interest at end 2021 to be tested during consultation.

### 8.2.7 Cost recovery fees – Regulator

Fees payable to the Regulator will be calculated as a base application fee per occurrence plus a sliding scale assessment fee for further work invoiced periodically throughout the assessment. The total fee will represent the full cost to the Regulator for undertaking an assessment of a submission and will consist of:

- an **application fee** – to accompany each application; and
- an **assessment fee** - to be paid throughout the course of an assessment with a final fee payment at conclusion of the assessment.

The **application fee** will be paid to coincide with submission of an application. The quantum of this fee reflects the effort and specialist skills required to manage receipt of submissions including registration in the Regulator's management systems and publication of applications where required.

The **assessment fee** will cover additional costs incurred by the Regulator in assessing each application on a fee-for-service basis. The assessment fee will become due when the Regulator issues an invoice to the applicant, payable according to the invoice. For extended assessments, invoicing will occur quarterly.

The amount payable for any fee must not exceed the total costs to the Regulator for assessing an application. The Regulator will calculate the assessment component of any fee on the basis of the total number of hours expended by the staff of the Regulator in assessing any particular submission. Fee rates will be advised to applicants on receipt of an application.

The fee structure (**Table 17**) is designed to ensure equitable cost recovery in relation to assessment effort as the nature and scale of applications to the Regulator are likely to be highly variable and dependent on application type and the projects to which the applications relate. For example, a management plan for construction, commissioning, and operation of a single interconnector cable on a transmission and infrastructure licence is likely to be far less complex and therefore require significantly less regulatory effort,

than a management plan for a large-scale offshore wind farm project involving hundreds of turbines and associated in-field and export infrastructure across a broad geographic area.

The proposed fee structure is considered to provide an appropriately equitable method for the charging of assessment related regulatory costs to licence holders and will ensure that costs for small scale projects are not prohibitively high and that cross-subsidisation of regulatory costs associated with assessments is avoided.

**Table 17:** Annual regulatory fee revenue estimates for 2022-23 to 2024-25<sup>#</sup>

Application Type	Estimated Total No. of submissions			Proposed fee rate from 1 July 2022		Fee amount		
	2022-23	2023-24	2024-25	Application Fee	Assessment Fee (indicative)	2022-23	2023-24	2024-25
Design Notification	0	0	1	\$10,000	\$100,000	\$0	\$0	\$110,000
Management Plan	0	0	2	\$10,000	\$100,000	\$0	\$0	\$220,000
Management Plan Revision	0	0	0	\$10,000	\$100,000	\$0	\$0	\$0
Safety Zone	0	0	1	\$10,000	\$100,000	\$0	\$0	\$110,000
Protection Zone	0	0	1	\$10,000	\$100,000	\$0	\$0	\$110,000
<b>Total Fee Estimate</b>						<b>\$0</b>	<b>\$0</b>	<b>\$550,000</b>

<sup>#</sup> The Estimated Total No. of submissions is not a limit, and is an estimate only based on DISER understanding of likely interest at end 2021 to be tested during consultation.

### 8.3 Risk Assessment

In accordance with the CRA template, the Regulator has assessed the overall risk rating of the cost recovered activity as *high*.

Implementation Task	Rating
Changes in cost recovery revenue	High
Total Proposed annual cost recovery revenue	Low
Policy or activity change requirements	High
Type of cost recovery charges used	High
Policy or activity change requirements	High
Involvement with other Commonwealth entities	High
Policy or activity change requirements	Low
Consultation with stakeholders	High
Policy or activity change requirements	High

The Regulator will continue to monitor the cost recovery arrangements to ensure that they remain cost effective and equitable among licence holders.

The major risk for the Regulator would be a significant increase or decrease in the number and size of licences granted by the Registrar. This could result in either a substantial revenue deficit or surplus. For this

reason the charging framework has been structured conservatively in the early stages and will be adapted over time in response to licencing and industry activity.

Any required modifications in fees and/or levies will be considered as part of as part of a CRIS review cycle. The Regulator will actively engage with industry representatives and raise issues relating to cost structures as they arise.

### 8.4 Stakeholder Engagement

**Cost recovery consultation**

[To be included post consultation with industry]

### 8.5 Financial Estimates

Financial estimates are provided below in **Table 18**. As these financial estimates change the CRIS will be updated accordingly.

**Table 18:** Summary of financial estimates for 2022-23 to 2024-25

	2022-23	2023-24	2024-25
	\$000	\$000	\$000
Revenue	\$1,300	\$3,350	\$5,300
Expenses	\$1,701	\$2,361	\$2,824
Surplus/(Deficit)	\$(401)	\$989	\$2,476

The OEI framework is due to commence on 2 June 2022 unless an earlier date is fixed by proclamation. Once the framework commences, there are a number of processes required before licences can be applied for and granted. This includes the declaration of an area as suitable for offshore renewable energy infrastructure and the commencement of supporting regulations that, amongst other things, set out the licensing scheme. Once these processes have been undertaken, it will take additional time for the Registrar to assess any applications and for the Minister to grant licences. As a result it is anticipated that cost recovery charging for the Regulator’s regulatory activities will not commence until mid-2023 at the earliest.

As the OEI framework is new, and the industry in its infancy, it is anticipated that it will take until late 2023-24 for the Regulator to potentially be operating with a surplus. It will take time for the industry to develop and for the cumulative effect of granted licences to reach a point where full cost recovery is occurring.

### 8.6 Non-Financial Performance

The Regulator’s regulation of the offshore electricity infrastructure sector is subject to a range of governance controls including, parliamentary oversight, ministerial policy direction and independent statutory reviews.