



Australian Government  
Portfolio: Department of Climate Change, Energy, the  
Environment and Water  
Corporate Commonwealth Entity: NOPSEMA

# Cost recovery implementation statement

*Offshore Electricity Infrastructure Act 2021*

**2024**

Charging for regulatory activity involves government entities charging individuals or organisations in the non-government sector some or all of the minimum efficient costs of a specific government activity. The Cost Recovery Policy along with the Australian Government Charging Framework (the Charging Framework) sets out the policy under which government entities design, implement and review charging for regulatory activities. The CRIS is the public document to ensure the transparency and accountability for the level of the charging and to demonstrate that the purpose for charging, as decided by Government, is being achieved.

## Contents

<b>1.</b>	<b>Introduction</b> .....	<b>3</b>
<b>1.1.</b>	<b>Purpose</b> .....	<b>3</b>
<b>1.1.1.</b>	<b>Background</b> .....	<b>3</b>
<b>2.</b>	<b>Changes proposed in this CRIS</b> .....	<b>3</b>
<b>3.</b>	<b>Policy and statutory authority to charge (cost recover)</b> .....	<b>4</b>
<b>3.1.</b>	<b>Government policy approval to charge for this regulatory activity</b> .....	<b>4</b>
<b>3.2.</b>	<b>Statutory authority to charge</b> .....	<b>4</b>
<b>4.</b>	<b>Description of the regulatory charging activity</b> .....	<b>5</b>
<b>4.1.</b>	<b>Operational cost drivers</b> .....	<b>6</b>
<b>4.2.</b>	<b>Overview of cost recovery activities</b> .....	<b>6</b>
<b>4.2.1</b>	<b>Application cost recovery fees</b> .....	<b>7</b>
<b>4.2.2</b>	<b>Cost recovery levies</b> .....	<b>7</b>
<b>5.</b>	<b>Charging (cost recovery) model</b> .....	<b>7</b>
<b>5.1.</b>	<b>Outputs and business processes of the activity</b> .....	<b>7</b>
<b>5.2.</b>	<b>Costs of the regulatory activity</b> .....	<b>10</b>
<b>5.3.</b>	<b>Design of the regulatory charges</b> .....	<b>12</b>
<b>5.3.1.</b>	<b>Compliance Levies</b> .....	<b>12</b>
<b>5.3.2.</b>	<b>Fees (for application and assessment)</b> .....	<b>14</b>
<b>6.</b>	<b>Stakeholder engagement</b> .....	<b>15</b>
<b>6.1.</b>	<b>Stakeholder engagement strategy</b> .....	<b>15</b>
<b>6.2.</b>	<b>Stakeholder feedback received</b> .....	<b>16</b>
<b>7.</b>	<b>Financial performance (financial estimates)</b> .....	<b>17</b>
<b>8.</b>	<b>Non-financial performance</b> .....	<b>17</b>
<b>9.</b>	<b>Key forward dates and events</b> .....	<b>18</b>
	<b>Change register</b> .....	<b>18</b>

# 1. Introduction

## 1.1. Purpose

This Cost Recovery Implementation Statement (**CRIS**) is an explanatory document that provides information on the Offshore Infrastructure Regulators (**OIR**) arrangements for full cost recovery for the administration and regulation of offshore electricity infrastructure (**OEI**) 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 CRIS provides information on the relationship between the effort estimated for specific activities and the costs that are likely to be charged for the OIR to administer those activities.

Cost recovery applies to OEI licence holders, diving contractors and other persons, including a person conducting a business or undertaking as defined under the applied work health and safety provisions. These entities create the need for regulatory activities by seeking approval for authorisations under the OEI Act and Regulations and undertaking licence activities in the Commonwealth waters.

### 1.1.1. Background

The OEI Act defines the National Offshore Petroleum Safety and Environment Authority (**NOPSEMA**) as the OIR. 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 Offshore Renewable Energy branch within the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the Offshore Infrastructure Registrar (the Registrar) also undertake cost recovered activities under the same legislation.

DCCEEW and the Registrar have responsibility for the declaration of areas and administration of the licencing processes. Licences are granted by the Minister for Climate Change and Energy. On licence grant, the regulatory role of the OIR commences and the offshore electricity infrastructure compliance levy is charged to the licence holder. Some licences have already been issued under the OEI Act, with further licencing rounds progressing during the period of this CRIS. Consequently, the number of licences to be granted during the period of this CRIS has been estimated.

The Exposure Draft of the Offshore Electricity Infrastructure Amendment Regulations 2024 sets out the regulatory process and associated charging activities for range of authorisations specified under the OEI Act. Regulatory processes for these activities are being established for expected implementation in late 2024.

This CRIS contains financial forecasts for the 2023-24 year and two forward years. The CRIS will be updated as increased certainty of licence numbers and regulatory processes becomes available.

## 2. Changes proposed in this CRIS

The previously approved 2022 CRIS for the OIR was a consolidated document for DCCEEW, the Registrar and OIR.

This CRIS separates out the cost recovery arrangements for the OIR into a standalone CRIS prepared by NOPSEMA as the corporate Commonwealth entity delivering the functions of the OIR. The cost recovery arrangements for the OIR documented in the previous CRIS are superseded by this document.

The only change to the cost recovery arrangements previously described in the 2022 CRIS is to include fees for new authorisations under the applied work health and safety (WHS) provisions to support future amendments to the regulations. There are no other changes proposed to charging activities.

### 3. Policy and statutory authority to charge (cost recover)

#### 3.1. Government policy approval to charge for this regulatory activity

In January 2020, the Australian Government released a consultation discussion paper on the proposed OEI framework and invited submissions on the proposed design. The paper identified the Government's intention that the OEI legislative framework will operate on a full cost recovery basis through fees and levies and is not designed to generate revenue above costs incurred for regulating the OEI industry.

The government announced the decision to recover costs for regulating offshore electricity infrastructure in the Federal Budget 2020-2021. The measure "JobMaker Plan – Investment in new energy technologies" included (on page 118) the "development of a regulatory framework for offshore clean energy infrastructure industry consistent with the Australian Government Charging Framework."

In September 2021, the Australian Government introduced the OEI Bill and the Levies Bill. The Explanatory Memorandum of the Levies Bill states that cost recovery will be used to ensure the Commonwealth (including the Registrar, Regulator and Offshore Renewable Energy branch of the Department) are appropriately resourced to effectively and efficiently regulate the new offshore industry and administer the OEI framework.

The OEI Act commenced in December 2021 and the OEI Regulations commenced in 2022 to establish the aspects of the licencing scheme that enable the OEI licencing process to be implemented by DCCEEW, the Registrar and the Minister. The regulatory activities of the OIR, commencing after licence grant, are identified in the OEI Act however further detail to enable applications, establish assessment processes and the associated fees is yet to be established through the Offshore Electricity Infrastructure Amendment Regulations 2024 (**OEI amendment regulations**) expected to be made in the second half of 2024.

In April 2024, the Exposure Draft of the OEI amendment regulations signalled the government's intent to apply a suite of WHS authorisations that had not previously been specified as charging activities in the approved CRIS. These inclusions are within the scope of the budget measures for development of a cost-recovered regulatory framework because the OEI framework enables the application of work health and safety (**WHS**) provisions from the Commonwealth Work Health and Safety Regulations 2011 (**WHS Regulations**).

The exposure draft of the OEI amendment regulations underwent consultation in April-May 2024 and identified the WHS authorisations that would be applied but did not specify the associated fees.

Government policy approval of the fee structure for these WHS authorisations is necessary, prior to those fees being established through the amendment regulations.

The CRIS will be regularly reviewed in accordance with the Cost Recovery guidelines to ensure that excess revenue is not generated, however this is balanced with the need to maintain capacity for ongoing tasks. This may include reassessment to ensure that OIR's cost recovery remains proportionate to regulatory effort.

#### 3.2. Statutory authority to charge

In December 2021, both the OEI Act and OEI (Regulatory Levies) Act entered into force, establishing a regulatory framework and providing statutory authority for OIR to recover costs associated with OIR's functions.

Specifically, regulatory functions will be fully 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 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 and assessment fees for dealing with applications made under the Act or the applied WHS provisions is provided by s189, Chapter 5 of the OEI Act which stipulates that the amount of the fee may be prescribed by the regulations (application fee) or worked out in accordance with a method prescribed by the regulations (assessment fees).

## 4. Description of the regulatory charging activity

The OEI Act provides that OIR 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, OIR will provide specialist technical advice and support to DCCEEW, the Minister for Climate Change and 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 the high hazard, technically complex offshore industry requires OIR to hold and maintain a core staff of highly qualified and experienced regulatory personnel with specialist skills in engineering, work health and safety, environmental management and financial security. This approach is consistent with leading practice internationally. Through providing these regulatory functions to NOPSEMA under the OEI Act, the specialist technical expertise of NOPSEMA can be effectively leveraged to deliver OIR's regulatory functions.

The OIR 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 OIR will fulfil its statutory functions by undertaking assessment, inspection, investigation, enforcement, promotion and advisory activities. The OIR'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 section 177 of the OEI Act, the OIR has legislated functions to:

- promote the work health and safety of persons engaged in offshore infrastructure activities
- 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
- 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
- report, as appropriate, to the Minister on investigations
- 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
- 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
- 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

- cooperate with the Registrar in matters relating to the administration and enforcement of the OEI Act and the applied work health and safety provisions
- cooperate with other Commonwealth, State or Territory agencies and authorities having functions relating to the regulation of offshore infrastructure activities
- perform the functions conferred on the Regulator by the applied work health and safety provisions
- perform such other functions as are conferred on the Regulator by or under the OEI Act
- do anything incidental to or conducive to the performance of any of the above functions.

The functions of the OIR may be performed within or outside Australia. The OIR is co-located with NOPSEMA in Perth and Melbourne.

#### 4.1. 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 OIR under the OEI Act is underpinned by access to sufficient resources, capacity, and qualified personnel.

To reduce regulatory costs while the offshore electricity infrastructure industry is becoming established, the OIR 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. This may be supplemented by additional specialist expertise for particular activities.

In addition to accessing specialist expertise where required, the OIR will need to build and 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, the utilisation of NOPSEMA staff and retaining additional specialist expertise to deliver the functions of the OIR 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 for OIR under the OEI Act. Government has directed that there is to be no cross-subsidisation between NOPSEMA and the OIR. NOPSEMA has implemented governance and finance arrangements to give effect to this outcome.

From 2022-2025 Government appropriated funds have enabled the establishment of the OIR. After this time, the OIR is to be fully funded through the cost recovery of fees and levies imposed under the OEI legislation and will not have any other funding streams.

#### 4.2. Overview of cost recovery activities

This CRIS sets out the cost recovery framework for OIR to implement its functions and responsibilities including work health and safety, environmental management and the infrastructure integrity of offshore renewable energy infrastructure and offshore electricity transmission infrastructure (see section 177 of the OEI Act).

The content of the CRIS is based on assumed activity numbers in the 2024-25 and 2025-26 financial years. At the time this CRIS was being prepared, some offshore renewables areas had been declared and some OEI licences had been granted in the Gippsland declared area. As the licensing scheme has only recently commenced, there is some uncertainty in forecasts of licence numbers for forward years. OIR has reviewed the licence numbers forecast from the previous 2022-23 CRIS. Based on our engagement with DCCEEW and the Registrar, OIR remains satisfied the 2022-23 forecast is appropriate and should be carried forward in this CRIS. The licence

numbers presumed in this CRIS do not predict or constrain the number of licences that may be granted by the Minister; they are for budgeting purposes only.

**Table 1: Licence numbers - assumptions applied to CRIS**

	Cumulative total licences in force (annual levies)
2022-23	0 licences
2023-24	10 Feasibility Licences 1 Transmission Infrastructure Licence
2024-25	19 Feasibility Licences 1 Transmission Infrastructure Licence
2025-26	19 Feasibility Licences 1 Transmission infrastructure licence

#### 4.2.1 Application cost recovery fees

Application cost recovery fees are payable to the OIR and reflect the cost of receiving and assessing an application, making a recommendation to the decision-maker and implementing the decision, as required by the regulatory framework currently under development by DCCEEW.

#### 4.2.2 Cost recovery levies

The regulatory cost recovery levies under the OEI framework include an annual compliance levy which covers ongoing costs to OIR including:

- implementation and maintenance of processes and digital systems to receive and assess applications
- 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
- stakeholder engagement
- provision of legislative and policy support to DCCEEW
- development of guidance and other publications
- handling and storage of information
- governance and reporting obligations
- other costs of maintaining the OIR's functions.

The annual compliance levy applies to all licence holders as an ongoing annual levy payable for the duration of a licence. The annual compliance levy is payable to the OIR 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 be variable, reflective of the complexity of activities authorised by different licence types with licences that authorise more complex activities attracting higher levies. It consists of a base rate for each licence type, 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. Regulatory effort for the OIR to monitor and enforce compliance for a particular licence will be reflective of the scale and complexity of the activities within that licence.

## 5. Charging (cost recovery) model

### 5.1. Outputs and business processes of the activity

Table 2 sets out the regulatory activity outputs to be undertaken by the OIR. Effort will be cost recovered through fees for design notifications, management plans, work health and safety (WHS) authorisations, diving

safety management systems, safety zones and protection zones. All other outputs will be cost recovered through the annual compliance levy.

The only changes proposed in this CRIS relate to proposed new activities to support proposed changes to the framework, including:

- authorisations under the applied WHS provisions
- diving safety management systems as a new WHS authorisation type.

These activities are highlighted in blue in Table 2.

**Table 2: Activity outputs**

Activities	Process
Compliance (all licence types)	<ul style="list-style-type: none"> <li>• Ongoing compliance monitoring activities, inspections and investigations, including against licence conditions</li> <li>• As-required enforcement activities including directions, notices, infringements, civil and criminal prosecutions</li> <li>• Provision of information, assessments, analysis, reports, advice and recommendations to the Registrar/Minister in relation to the administration of licencing processes administered by the Registrar (e.g.: Grant, Extension, Variation, Surrender, Cancellation, Transfers or Change in Control)</li> </ul>
Design notification	<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>
Management plan approvals	<ul style="list-style-type: none"> <li>• Receipt of applications</li> <li>• Assessment of applications (including any procedural fairness and transparency requirements)</li> <li>• Consultation with the Registrar (where applicable)</li> <li>• Implementation of decisions</li> <li>• Dissemination and publication of information, including transparency of decision-making</li> <li>• Ongoing assessment of revisions</li> <li>• Assessment of financial security arrangements and ongoing administration of 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>
Authorisations under the applied WHS provisions	<ul style="list-style-type: none"> <li>• Receipt of applications, assessment, and implementation of decisions in relation to the applied WHS provisions</li> <li>• Authorisation and approval processes are provided under the WHS Act and under the WHS Regulations. These include: <ul style="list-style-type: none"> <li>• Approval of courses of training in WHS</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>• Approval for a course of training in workplace entry by WHS entry permit holders</li> <li>• High Risk Work Licence applications, renewals and replacement of licence document</li> <li>• Application for General Construction Induction Training Cards</li> <li>• Asbestos Removal licence applications, renewals and licence replacement</li> <li>• Assessment of safety cases for major hazard facilities</li> </ul>
Diving safety management systems (under the applied WHS provisions)	<ul style="list-style-type: none"> <li>• Receipt of applications</li> <li>• Assessment of applications</li> <li>• Implementation of decisions</li> <li>• Ongoing assessment of revisions</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>• Developing and maintaining guidance material for applicants and licence holders</li> <li>• Developing and maintaining a regulatory management system and associated records</li> </ul>
Safety zones	<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 including determinations and administration of notifiable instruments</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>
Protection zones	<p>See item above (Safety Zones) for general overview of process, but noting that protection zones are legislative instruments:</p> <ul style="list-style-type: none"> <li>• Implementation of decisions including determinations and the administration of legislative instruments</li> </ul>
Legislative development	<ul style="list-style-type: none"> <li>• Provision of operational and regulatory advice to DCCEEW on ongoing policy and regulatory development and reform</li> <li>• Contribution to 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>
Regulatory implementation	<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>
Engagement	<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>
Governance	<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>

## 5.2. Costs of the regulatory activity

Direct and indirect costs are allocated to each output based on management estimates of effort required (**Table 3**) for the regulatory activities. The current estimates of direct costs have been informed by comparison to effort expended on similar regulatory activities administered by NOPSEMA under the offshore petroleum legislation. These authorisations are sufficiently similar to enable an estimate upon which to build the cost recovery framework. Time estimates and cost recovery arrangements for offshore infrastructure authorisations will be refined as more data becomes available in forward years.

All indirect costs are allocated using headcount on a full-time equivalent (FTE) basis. NOPSEMA commissioned a review by external audit consultants to review this approach who confirmed that it is the most appropriate method for the allocation of indirect costs. Indirect costs allocated for OIR's FTE count include:

- human resources, information technology and communications, finance and administrative functions
- recruitment, training and travel costs of these functions
- expenses related to the Perth and Melbourne office

No significant capital costs are budgeted for the period.

**Table 3: Direct and indirect costs estimated for 2023-24, 2024-25 and 2025-26**

	Financial Year					
	2023-24		2024-25		2025-26	
	ASL	\$	ASL	\$	ASL	\$
Staff Costs including Staff Benefits (Direct)						
EL2 Executive Director	1.00	340,957	1.27	448,517	2.11	772,006
EL2A Director	0.00	0	0.00	0	1.05	273,700
EL1R Regulatory Specialist	3.00	827,544	4.22	1,209,194	5.15	1,523,598
EL1A Principal Advisor	2.73	534,499	4.01	815,024	2.97	624,577
APS6 Regulatory Officer	1.00	137,190	0.98	140,212	2.27	334,698
APS4 Regulatory Assistant	1.00	101,955	1.00	105,422	1.08	118,687
SES Band 1	0.02	7,516	0.08	32,768	1.08	453,371
Other Direct Costs		738,567		793,439		803,837
Total Direct Costs		2,688,227		3,544,576		4,904,473
Indirect Costs		1,217,307		1,669,849		2,346,865
Total		3,905,534		5,214,425		7,251,338

Based on analysis of effort required, **Table 4** shows the allocation of the OIR's costs to outputs for 2023-24 to 2025-26 based on anticipated operational licences and consequent regulatory activities. The figures were derived by multiplying the direct and indirect costs by the effort estimated to achieve each output. The proposed new activities which this CRIS is addressing are highlighted in blue. The OIR does not anticipate submissions of diving safety management systems during the period of this CRIS, as reflected in table 4.

Table 4: Cost allocated to outputs 2023-24 to 2025-26

Output	FY2023-24			FY2024-25				FY2025-26				
	Effort %	Direct Cost	Indirect Cost	Total	Effort %	Direct Cost	Indirect Cost	Total	Effort %	Direct Cost	Indirect Cost	Total
Compliance – all licence types	0%	0	0	0	33%	1,155,391	544,305	1,699,696	24%	1,188,163	568,554	1,756,717
Design Notification	0%	0	0	0	2%	70,738	33,325	104,063	9%	439,260	210,193	649,453
Management Plan / Revision	0%	0	0	0	20%	707,383	333,248	1,040,630	18%	878,521	420,385	1,298,906
WHS Authorisations	0%	0	0	0	3%	106,107	49,987	156,095	4%	204,028	97,631	301,659
WHS - DSMS	0%	0	0	0	0%	0	0	0	0%	0	0	0
Safety Zones	0%	0	0	0	0%	13,558	6,387	19,945	1%	27,604	13,209	40,813
Protection Zone	0%	0	0	0	0%	0	0	0	0%	13,802	6,604	20,406
Legislative Development	17%	456,112	206,541	662,653	1%	48,338	22,772	71,110	2%	86,412	41,349	127,761
Regulatory Implementation	45%	1,199,363	543,106	1,742,469	11%	389,060	183,286	572,347	9%	458,463	219,381	677,844
Engagement	25%	669,989	303,390	973,379	20%	721,530	339,913	1,061,443	20%	972,133	465,181	1,437,314
Governance	13%	362,763	164,270	527,033	9%	332,470	156,626	489,096	13%	636,087	304,377	940,465
<b>TOTAL</b>	<b>100%</b>	<b>2,688,227</b>	<b>1,217,307</b>	<b>3,905,534</b>	<b>100%</b>	<b>3,544,576</b>	<b>1,669,849</b>	<b>5,214,425</b>	<b>100%</b>	<b>4,904,473</b>	<b>2,346,865</b>	<b>7,251,338</b>

### 5.3. Design of the regulatory charges

The OIR's cost recovery charges comprise an annual compliance levy implemented through different types of licences, and fees charged on applications made to the OIR for approvals under the OEI Act and regulations (Table 5). A combination of levies and fees allows the OIR to implement an agile structure that can be responsive to changes in industry activity and associated workload over time.

**Table 5: Cost recovery structure for OEI activities in 2023-24 to 2025-26**

Cost Recovery Estimates	Financial Year		
	2023-24	2024-25	2025-26
Annual Levies	\$3,000,000	\$5,800,000	\$5,800,000
Application fees	\$0	\$1,005,000	\$1,665,000
<b>Total</b>	<b>\$3,000,000</b>	<b>\$6,805,000</b>	<b>\$7,465,000</b>

Note – Revenue generated from application fees is indicative only. Fees to assess applications will be charged on a cost per hour basis to ensure equitable cost recovery for expenditure of regulatory effort.

The OIR's cost model has been designed to ensure stable revenue for core functions and to enable effective delivery of regulatory services on an ongoing basis. The OIR requires a stable and predictable levy revenue to maintain access to sufficient resources, capacity, and qualified personnel in order to maintain effective regulatory oversight, advice, guidance, compliance monitoring, regulatory services and other essential tasks to be delivered by the Regulator on a consistent basis, even when the number of applications received is variable. These activities are likely to account for the majority of regulatory costs in the early stages of the framework.

Additional costs will be incurred by the OIR 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 is required. The nature and scale of regulatory submissions to the OIR are likely to be highly variable dependent on the projects to which the applications relate. For example, activities undertaken to evaluate the feasibility of an offshore electricity infrastructure project are very minor compared to development activities authorised by a commercial licence. Similarly, 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 and associated transmission infrastructure.

To ensure that costs associated with assessing these plans are equitably recovered from regulated entities it is proposed that application fees will have two components; an initial application fee to be paid on submission, and an application assessment fee on a cost for effort basis as described in section 5.3.2.

In the OIR'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. Levies and fees will be periodically reviewed in accordance with the Cost Recovery guidelines, and will be adjusted as the industry develops. The OIR will maintain full transparency by notifying and consulting industry where required prior to any potential future changes to cost recovery amounts or structures.

#### 5.3.1. Compliance Levies

To allow cost recovery to occur at the earliest practicable point in the OEI lifecycle the bulk of costs associated with delivery of the functions of the OIR will be recovered through an annual compliance levy imposed on each licence from the time that the licence is granted and then annually for the duration of the licence (Table 6). Effective regulatory oversight will necessitate advice, guidance, compliance monitoring and other regulatory services being provided to licensees.

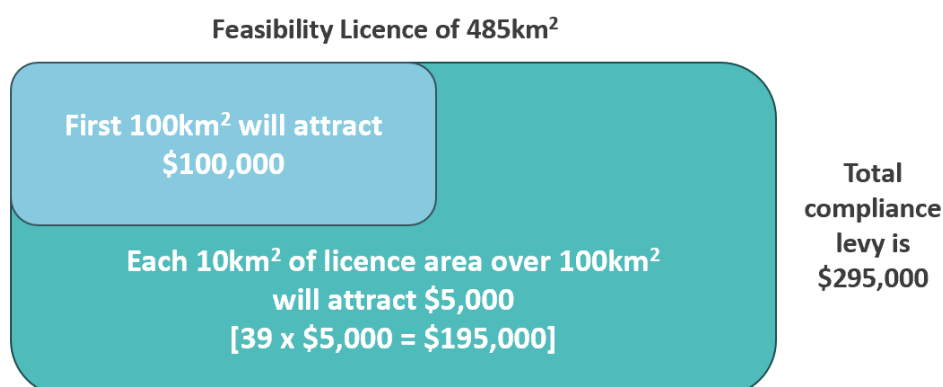
Particularly in the early stages of the regime an annual levy will provide OIR with a necessary stable funding base to allow delivery of its regulatory functions.

In accordance with the policy authority, the annual compliance levy is structured such that licences that involve larger and more complex projects attract proportionately higher levies than smaller or more limited projects, such as research and demonstration licences. This is appropriate because the OIR's regulatory effort and costs for work related to feasibility licences or research and demonstration licences will generally be less than commercial licences. This differentiation is given effect by 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 levy per licence as it is not anticipated that the length of transmission infrastructure will significantly alter required regulatory effort. The levy rate and amount of the annual compliance levy is specified in the OEI Levies Regulations 2022 and cannot be adjusted by the Regulator through the CRIS.

**Table 6: Annual compliance levy revenue estimates for 2022-23 to 2024-25**

Title Type	Estimated Total No. of licences			Levy rate		Levy revenue estimate		
	23/24	24/25	25/26	Area Km <sup>2</sup>	Amount of Levy (OEI Regulatory Levies Regulations 2022, Pt 2)	23/24	24/25	25/26
Feasibility licence	10	19	19	500	\$100,000 for first 100km <sup>2</sup> plus \$5,000 for each 10km <sup>2</sup> (or part thereof) thereafter	\$3,000,000	\$5,700,000	\$5,700,000
Commercial licence	0	0	0	500	\$300,000 for first 100km <sup>2</sup> plus \$10,000 per 10km <sup>2</sup> (or part thereof) thereafter	\$0	\$0	\$0
Research & demonstration licence	0	0	0	100	\$100,000 for first 100km <sup>2</sup> plus \$5,000 per 10km <sup>2</sup> (or part thereof) thereafter	\$0	\$0	\$0
Transmission infrastructure licence	0	1	1	N/A	\$100,000	\$0	\$100,000	\$100,000
<b>Levy Estimate</b>						<b>\$3,000,000</b>	<b>\$5,800,000</b>	<b>\$5,800,000</b>

*Note 1 - The Estimated Total No. of licences is not a limit or cap on the number of licences to be granted. It is carried over from assumptions in previous CRIS. In the absence of predicted numbers of licence grants in 2025-26, this CRIS is established on the assumption that licence numbers will remain steady for that period.*



**Figure 1: Example of levy amount calculation for a feasibility licence**

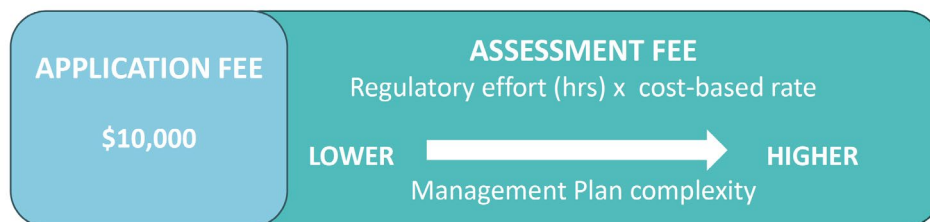
### 5.3.2. Fees (for application and assessment)

For management plans, safety zones, and protection zone, fees payable to the OIR 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 OIR for undertaking an assessment of a submission. This will consist of:

- a. an **application fee** – to accompany each application; and
- b. 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 required to manage receipt and administration of submissions including registration in the OIR's management systems and publication of applications where required.

The **assessment fee** will cover costs incurred for effort and specialist skills required to assess the technical detail of each application on a fee-for-service basis. The assessment fee will become due when the OIR issues an invoice to the applicant, payable according to the invoice. For extended assessments, invoicing will occur quarterly.



**Figure 2: Management Plan fee structure**

The amount payable for any fee must not exceed the total costs to the OIR for assessing an application. The cost-based rate is established with consideration to the hourly rate of OIR staff and is reviewed annually and inclusive of fixed corporate overheads. The fee may include costs associated with specialist external advice where necessary. The current fee rates will be made available to the regulated community.

The effort-based fee structure allows for an equitable method for the charging of assessment related regulatory costs, as the costs for assessing smaller scale projects or less complex activities are proportionate to effort, and cross-subsidisation of regulatory costs associated with assessments is avoided. The fees estimated in **Table 7** reflect assumptions of the effort recovered for assessments, but will vary depending on the nature and complexity of the submission.

Fees payable for authorisations under the applied Work Health and Safety provisions will be required. Consistent with the principle of full cost recovery, the OEI Regulations, once made, are expected to establish an assessment fee approach that will be proportionate to effort and costs incurred to administer each WHS authorisation. Subject to the requirements of the OEI Regulations once made, the types of authorisations to which fees will be applied are:

- approval of course of training in work health and safety
- approval of course of training in workplace entry by WHS entry permit holders
- application for high risk work licence
- application for a general construction induction training card
- application for asbestos removal licence
- diving safety management system
- grant of major hazard facility licence
- associated renewal, replacement and revision of the above authorisation types.

Compared to the cost recovery for the application types in **Table 7**, the WHS fees are relatively small and are unlikely to be a substantial change to OIR's total revenue, particularly in the timeframes for this CRIS, prior to major construction activities commencing. For this reason, and because the requirements for WHS authorisations in the Exposure Draft of the OEI Regulations are not yet finalised, the WHS fees are excluded from total revenue estimates in **Table 7**. This CRIS will be revised in future to more accurately reflect requirements of the OEI Regulations and the costs to the OIR in administering the required WHS authorisations.

**Table 7: Annual application and assessment fee revenue estimates for 2022-23 to 2024-25**

Title Type	Estimated Total No. of submissions			Fee amount		Fee revenue estimates		
	2023-24	2024-25	2025-26	Application Fee	Assessment Fee (est)	2023-24	2024-25	2025-26
Design Notification	0	1	6	\$0	\$90,000	\$0	\$90,000	\$540,000
Management Plan	0	10	9	\$10,000	\$80,000	\$0	\$900,000	\$810,000
Management Plan Revision	0	0	3	\$10,000	\$80,000	\$0	\$0	\$270,000
Safety Zone	0	1	2	\$10,000	\$5,000	\$0	\$15,000	\$30,000
Protection Zone	0	0	1	\$10,000	\$5,000	\$0	\$0	\$15,000
WHS authorisations						\$0	\$0	\$0
<b>Total (estimated)</b>						<b>\$0</b>	<b>\$1,005,000</b>	<b>\$1,665,000</b>

*Note 1 – Revenue generated through assessment fees is indicative only and will vary dependent on the nature and scale of regulatory submissions received. Assessment fees are indicative of more complex assessments.*

*Note 2 - The Estimated Total No. of submissions is not a limit, and is an estimate only based on estimates of licencing activity as at May 2024.*

## 6. Stakeholder engagement

Stakeholder engagement was undertaken by the Australian Government in development of the 2022 CRIS which addressed regulatory charging for compliance levies and the fees for management plans, design notifications, safety zones, protection zones and other regulatory activities. The previous CRIS did not include WHS authorisations.

More recently, in April-May 2024, DCCEEW completed consultation on the Exposure Draft of the OEI Amendment Regulations which detail the regulatory processes associated with the authorisation types addressed in this CRIS and provided transparency to all stakeholders that costs would be recovered from industry participants.

The purposes of stakeholder engagement for this CRIS was to seek feedback on fees for the relevant authorisation types, with a particular focus on WHS fees, being the new regulatory charging activity.

### 6.1. Stakeholder engagement strategy

The OIR undertook targeted consultation to provide the draft CRIS and other relevant information to licence holders and other identifiable potential payees including prospective developers, diving contractors, and unions as workforce representatives. The OIR invited stakeholders to make written submissions and provide the opportunity to query any aspects directly with the OIR representatives.

The feedback period on the CRIS was open for two weeks, during which time the OIR also held an industry workshop and participated in other industry forums on the regulatory activities under the OEI framework. OIR leveraged those opportunities to draw attention to the consultation process for this CRIS and the cost recovery arrangements for the new authorisation types. The draft CRIS was also published on OIR's website providing other interested parties the opportunity to comment.

## 6.2. Stakeholder feedback received

Three submissions were received from licence holders. No other payee groups provided feedback. Submissions all supported a fully cost recovered regulatory framework and broadly supported the CRIS. Specific queries raised, relevant to this CRIS, are addressed below.

### ***Assessment fees have low certainty/predictability – suggestions for end-to-end fixed cost model, cost cap, target time for assessments.***

The assessment fee structure using cost-based hourly rates provides a more proportionate and scalable approach for the variable activity types likely to be received under the OEI framework. If a fixed fee were to be applied in the Regulations, it would need to be set at the maximum level for complex activities and is likely to be disproportionately high for other activities, resulting in the over recovery of costs which is inconsistent with the Australian Government Charging Framework. Activity-based fixed costing or capped assessment costs will need to be informed by a reasonable sample of data which is not yet available.

### ***Levies paid by licence holders could be used to cover the WHS-related fees***

This approach would be inconsistent with the Australian Government Charging Framework. The WHS fees may not always be payable by a licence holder. The cost recovery arrangements are established to ensure that the entity creating the need for the regulatory effort is charged for the cost of that effort.

### ***Do fees for safety zones relate to the zone or the application***

This question is addressed through published preliminary guidance materials which confirm that an application may address multiple zones. Application fees are incurred for each application, not the number of zones within the scope of an application. The assessment fee is scalable to allow for potential increased complexity of multi-zone applications.

### ***Two tier approach to application fees for revised management plans***

A two-tiered approach to fees for management plan revision applications was proposed, with a lower fee assigned to a minor revision and a higher fee assigned to a major revision. The draft OEI regulations do not provide for two categories of revision application types against which the Regulator could attribute different fee categories. Given the variability of plans and potential reasons for revisions, it is unlikely that a clear and consistent distinction could be made between 'minor' and 'major' fee types to support this approach.

OIR has responded to each submission to directly discuss the licence holder's queries.



## 7. Financial performance (financial estimates)

Financial estimates are provided below in **Table 8**. As these financial estimates change, the CRIS will be updated accordingly.

**Table 8: Summary of financial estimates for 2023-24 to 2025-26**

	2023-24	2024-25	2025-26
Revenue	\$3,000,000	\$6,805,000	\$7,465,000
Expenses	\$3,905,534	\$5,214,425	\$7,251,338
<b>Surplus/(Deficit)</b>	<b>\$(905,534)</b>	<b>\$1,590,575</b>	<b>\$213,662</b>

The OEI framework commenced on 2 June 2022. The first OEI licence was granted on 29 April 2024 and subsequently cost recovery commenced with the first compliance levy notice issued on 1 May 2024. Regulations enabling the submission of applications for a variety of approvals and activities to OIR have completed consultation on an Exposure Draft and are being finalised with the expectation to be made later in 2024.

As the OEI framework is new, and the industry in its infancy, 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 and regulatory activity has stabilised.

The 23/24 year has a lower revenue, noting that the first licences were granted and compliance levies received very late in the financial year. The 24/25 year illustrates a higher revenue and a surplus resulting from the grant of licences and commencement of licence levies prior to authorisations for activities in field being submitted. This is a construct of the regulatory framework already in place as set out under the OEI Levies Act and Regulations. Financial estimates are expected to balance in forward years as industry activity and regulatory activity are fully established.

OIR will continue to review underlying assumptions and revise cost recovery mechanisms where necessary, as certainty of industry activity increases.

## 8. Non-financial performance

The OIR's Corporate Plan 2023-28 outlines the OIR's goals, delivery strategies and performance indicators and aligns with the Regulator Performance Framework. The plan covers the period of this CRIS and is available on the OIR website at [oir.gov.au](http://oir.gov.au).

The regime is intended to be fit-for-purpose and scalable. The charging structure will result in more challenging assessments necessitating a higher assessment fee. Licence holders and applicants will be incentivised to make high quality submissions in order to reduce their overall assessment time and reduce costs.

OIR will collect performance data in relation to the charging activities and non-financial performance, for consideration in future CRIS development.

## 9. Key forward dates and events

**Table 9: Key forward dates and events**

Timeframe	Event
Q2 2024	DCCEEW undertakes stakeholder consultation on Exposure Draft of OEI Amendment Regulations
Q2 2024	OIR undertakes stakeholder consultation on draft CRIS
Q3 2024	CRIS revised and finalised for approval through Department of Finance and relevant Ministers. <ul style="list-style-type: none"> <li>Minister for Climate Change &amp; Energy (portfolio Minister)</li> <li>Minister for Resources (responsible Minister for entity)</li> </ul>
Q3/Q4 2024	OEI Amendment regulations are made, enabling submissions to the regulator to be made and associated charging activities to commence.

### Change register

Date of change	CRIS change	Approver	Basis for change
September 2022	Initial CRIS (combined DCCEEW, Registrar, OIR)	The Accountable Authority of NOPSEMA and the responsible Minister	Joint CRIS developed with DCCEEW, Registrar and OIR for new OEI framework
July 2024	Revised CRIS as stand-alone OIR CRIS, and incorporate WHS fees	The Accountable Authority of NOPSEMA and the responsible Minister	Exposure Draft of OEI Regulations published in April 2024 identified new authorisations under the applied WHS provisions, requiring charging authority.

*Note: The initial CRIS for the OIR was developed in September 2022 as a joint CRIS with DCCEEW and the Registrar. From May 2024 this change register applies to this OIR CRIS only.*