



Australian Energy Market Commission

CONSULTATION PAPER

NATIONAL GAS AMENDMENT (STTM INTERFACE PROTOCOL) RULE 2019

PROPONENT

Australian Energy Market Operator

26 SEPTEMBER 2019

RULE

INQUIRIES

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

E aemc@aemc.gov.au
T (02) 8296 7800
F (02) 8296 7899

Reference: GRC0055

CITATION

AEMC, STTM Interface Protocol, Consultation paper, 26 September 2019

ABOUT THE AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

This work is copyright. The Copyright Act 1968 permits fair dealing for study, research, news reporting, criticism and review. Selected passages, tables or diagrams may be reproduced for such purposes provided acknowledgement of the source is included.

CONTENTS

1	Introduction	1
1.1	Background	1
1.2	Issue raised in the rule change request	8
1.3	Proposed solution	8
1.4	Assessment framework	9
2	Process for this rule change	10
2.1	Treatment as a non-controversial rule change	10
2.2	Key dates	10
3	Lodging a submission	11
3.1	Lodging a request not to make a rule under an expedited process	11
3.2	Lodging a submission to this rule change request	11
3.3	Lodging online	11
	Abbreviations	12
	TABLES	
Table 1.1:	Standard consultation processes	4
Table 1.2:	Expedited consultation processes	6

1 INTRODUCTION

On 31 July 2019, the Australian Energy Market Operator (AEMO or proponent) submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission) seeking to amend processes of consultation for the Short Term Trading Market (STTM) Interface Protocol (the Protocol) to be the same as the consultation process for changes to the STTM Procedures.

This consultation paper has been prepared to facilitate public consultation on the rule change request and to seek stakeholder submissions.

This paper:

- provides a summary of, and background to, the rule change request
- identifies a number of questions and issues to facilitate consultation on this rule change request
- outlines the process for making submissions.

1.1 Background

1.1.1 The short term trading market

The STTM is a market for the trading of natural gas at the wholesale level at three defined hubs—Sydney, Adelaide and Brisbane. It is a balancing market where the market participants adjust their positions on a short term basis. Based on scheduled withdrawals from users and offers by shippers to deliver gas, AEMO sets a day ahead clearing price at each hub. The market provides incentives for participants to schedule accurately through the use of deviation charges and payments.

The STTM co-exists with the existing operational arrangements of the relevant pipelines. These pipelines operate under a contract carriage model where market participants must separately contract for pipeline capacity (that is, capacity is not allocated through the dispatch process) to transport gas to end-users. While AEMO operates the market, it has no involvement in how production facilities, transmission pipelines, storage facilities, and distribution pipelines are operated.

1.1.2 Governance of the STTM

The National Gas Law (NGL) sets the STTM framework and functions of AEMO in the STTM. Under the NGL, making the STTM Procedures is one of AEMO's STTM functions.¹

Rules for participation in, and operation of, the STTM are set out in the National Gas Rules (NGR). Under the NGL and NGR, AEMO is responsible for the formal market procedures (STTM Procedures) that cover matters of a technical and procedural nature. This includes establishing the STTM Interface Protocol to govern the provision of communications in the market. Together these instruments set the framework and rules for participation in, and operation of, the STTM.

¹ NGL s. 91BRB.

The process by which AEMO makes and amends the market procedures is specified in Part 15B of the NGR.

1.1.3 **What is the STTM Interface Protocol?**

In accordance with the NGR, AEMO must establish the STTM Interface Protocol which must describe the requirements of the provision of communications between market participants and also with AEMO in the market under Part 20 of the NGR.² "Communication" is defined as "any information, notice, request, bid, offer, or other submission or communication to be given by AEMO or any other person under this Part".³ The STTM Interface Protocol may specify details to be included in a communication, in addition to those specified in Part 20 of the NGR and in the STTM Procedures.⁴

All communications made under Part 20 of the NGR must comply with requirements of the STTM Interface Protocol, including the form, manner and timing by which communications are carried out, unless expressly stated otherwise by the NGR or if AEMO permits a communication made to it to be non-compliant. Non-compliant communications can also be rejected by AEMO.⁵

AEMO may only amend the STTM Interface Protocol in accordance with the standard consultative procedure under rule 8 of the NGR or the expedited consultative procedure under rule 9 of the NGR.⁶

1.1.4 **STTM Protocol and Procedures consultation processes**

While the STTM Protocol and STTM Procedures both relate to the operation of the STTM, changes to these instruments are currently consulted on under different processes.

Rule 368(2) of the NGR states that AEMO may amend the STTM Protocol after consulting with specified groups of stakeholders including, trading participants, STTM facility operators, STTM distributors and allocation agents in accordance with the standard or expedited consultation procedures, which are set out in rules 8 and 9 of the NGR respectively.

Rules 135EE and 135EF in Part 15B of the NGR describe the ordinary and expedited processes for amending STTM Procedures. Part 15B sets out the processes for amending all Procedures under the NGR.⁷

The different processes for consultation in relation to changes to each of the STTM Protocol and Procedures are outlined in further detail in Table 1.1 and Table 1.2.

In Table 1.1 the key differences between the two standard processes relate to requirements around the publication of notices. Specifically, consultation on the Protocol has the additional

² Rule 368(1) of the NGR.

³ Rule 368(6) of the NGR.

⁴ Rule 368(4) of the NGR.

⁵ Rule 368(5) of the NGR.

⁶ Rule 368(2) of the NGR.

⁷ Rule 135E of the NGR.

requirements for AEMO to publish a notice on its website and in a newspaper distributed through Australia, and invite written submissions to identify changes to the initial proposal.

In Table 1.2 the key difference between the two expedited processes relates to timing requirements around the publication of the final report.

Table 1.1: Standard consultation processes

	TIMELINE FOR PROCEDURES (ORDINARY PROCESS FOR MAKING PROCEDURES—RULE 135EE)	TIMELINE FOR PROTOCOL (STANDARD CONSULTATIVE PROCEDURE—RULE 8)
Publish of notice and call for submissions	AEMO must publish on its website a notice: -setting out proposed Procedures together with the impact and implementation report	Publish notice on website and in newspaper throughout Australia: -describing proposal and giving website address -inviting written submissions within 15 business days of the date of the notice.
Draft decision	-invite registered participants and interested persons to comment on or before a date 20 business days after notice. * Notice to be published no more than 10 business days after completion of impact/implementation report.	After considering relevant submissions, make a draft decision. If the draft decision identifies changes to the proposal, then the proponent should be notified and given opportunity to modify the proposal. Draft decision (or any modification of the proposal made in light of the draft decision) must be published on website with a notice inviting written submissions within a stated period (minimum 15 days).
Final decision	Publish a decision, at least 20 business days after closing date for submissions, that: -summarises any comments -sets out proposed procedures and how they have been revised -specifies date that changes take effect	Within 20 business days after the end of the period allowed for making submissions on the draft decision make its final decision.

	TIMELINE FOR PROCEDURES (ORDINARY PROCESS FOR MAKING PROCEDURES—RULE 135EE)	TIMELINE FOR PROTOCOL (STANDARD CONSULTATIVE PROCEDURE—RULE 8)
	-if proposal is rejected, gives reasons.	
Post final decision	<p>At least 15 business days before Procedures are to take effect or an earlier date fixed under rule 135EE, AEMO must:</p> <ul style="list-style-type: none"> -give notice of new procedures to registered participants and bulletin board participants -publish new procedures on website -make copies of new procedures available to public at its public offices. 	<p>After making the final decision, the decision maker must:</p> <ul style="list-style-type: none"> -if providing a recommendation—deliver the final decision to the authority or person addressed -publish on website -give copies of the final decision to the parties to the administrative process in which the decision is to be made -make final decision available for inspection at public offices.
		A decision takes effect on the date provided or, if no date is provided, 10 business days after the date of the decision.

Source: National Gas Rules Version 49

Table 1.2: Expedited consultation processes

	TIMELINE FOR PROCEDURES (EXPEDITED PROCESS FOR MAKING PROCEDURES—135 EF)	TIMELINE FOR PROTOCOL (EXPEDITED CONSULTATIVE PROCEDURE—RULE 9)
Publish of notice and call for submissions	<p>Within 10 business days after completing and impact and implementation report, publish on its website a notice:</p> <ul style="list-style-type: none"> -setting out proposed Procedures together with the impact and implementation report -stating that AEMO considers the expedited procedure applicable 	<p>Make draft decision, after such consultation (if any) as considered appropriate.</p> <p>Decision maker must give copies of the draft decision to the parties to the administrative process in which the decision is to be made.</p>
Draft decision	<ul style="list-style-type: none"> -invite registered participants and interested persons to comment on or before a date 15 business days after notice -fix a date for the Procedures to take effect. 	<p>Publish on website, and any other way considered appropriate, the draft decision and notice stating:</p> <ul style="list-style-type: none"> -why the decision is required -details of context of decision -inviting written submissions within 15 business days from the date of the notice.
Final decision	<p>After the closing date for submissions, AEMO must, by notice published on its website:</p> <ul style="list-style-type: none"> -confirm the proposed effective date or defer effective date, or -amend proposal and confirm/defer effective date, or -defer decision on proposal and provide for further consultation before a final decision is made, or -withdraw or reject proposal. 	<p>Within 20 days after the end of the period for making submissions make a final decision.</p>

	TIMELINE FOR PROCEDURES (EXPEDITED PROCESS FOR MAKING PROCEDURES—135 EF)	TIMELINE FOR PROTOCOL (EXPEDITED CONSULTATIVE PROCEDURE—RULE 9)
Post final decision	<p>At least 15 business days before the day on which Procedures are to take effect, AEMO must:</p> <ul style="list-style-type: none"> -give notice of new procedures to registered participants and BB participant -publish new procedures on website -make copies of new procedures available to public at its public offices. 	<p>After making the final decision, the decision maker must:</p> <ul style="list-style-type: none"> -if providing a recommendation—deliver the final decision to the authority or person addressed -publish on website -give copies of the final decision to the parties to the administrative process in which the decision is to be made -make final decision available for inspection at public offices.
		<p>A decision takes effect on the date provided or, if no date is provided, 10 business days after the date of the decision.</p>

Source: National Gas Rules Version 49

1.2 Issue raised in the rule change request

1.3 Proposed solution

AEMO considers that the different consultation processes currently required for changing the STTM Protocol and Procedures create duplication. The proposed rule aims to amend processes of consultation for the Protocol so that it is the same as the consultation process for the Procedures.⁸

The solution proposed by AEMO in its rule change request is to remove the requirement to adhere to the standard consultative process when amending the STTM Protocol under rules 8 and 9 of the NGR and replace it with a requirement to follow the consultation process for the Procedures set out in Part 15B, rules 135EE and 135EF, of the NGR.

In suggesting that the consultation process for amendments to the Protocol and the Procedures be the same, AEMO anticipates that these consultations could then be packaged together and conducted as one process.

AEMO has also proposed that the additional obligation to consult with the wider public (via a notice published in a nationally circulated newspaper) separately to consultations on the Procedures will no longer be required.⁹ AEMO considered that the obligation is not currently adding value to the consultation process and, therefore, its removal is not expected to have any adverse consequences for the market. However, AEMO intends to continue to publish notices of consultation on its website and inform participants of consultations opening for comment via email.

In AEMO's view, these proposed amendments will allow for continued transparency within the market by providing a consistent consultation process for both the STTM Protocol and Procedures. It has also claimed that the proposed changes would reduce the administrative burden on AEMO and market participants, with cost savings ultimately being passed onto consumers.

AEMO has indicated that the proposed rule, if made, may see minor consequential changes to its internal business processes.

The rule change request includes a proposed rule, which would amend rule 368 of the NGR. A copy of the rule change request may be found on the AEMC website, www.aemc.gov.au.

QUESTION 1: THE PROPOSED SOLUTION

1. Do you agree with AEMO's assessment of the costs and benefits of making the proposed

⁸ Rule change request, p. 4.

⁹ Rule change request, p. 4.

rule in regard to:

- Replacing the process for consultation in relation to amendments to the STTM Protocol with the consultation process for the STTM Procedures?
 - Removing the additional obligation to consult with the wider public via a nationally circulated newspaper while continuing to publish consultation notices on its website and inform participants of opening consultations via email?
2. Do you think there is a different solution that may better meet the national gas objective?

1.4

Assessment framework

1.4.1

Achieving the NGO

The Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the national gas objective (NGO).¹⁰ The NGO is:¹¹

to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, safety, reliability and security of supply of natural gas.

1.4.2

Proposed assessment framework

In assessing the rule change request against the NGO, the Commission proposes using the following framework:

- **Efficiency and impact on costs:** Whether streamlining the STTM Procedure and Protocol consultation processes will reduce the administrative burden on AEMO and market participants. These savings should ultimately be passed onto consumers.
- **Regulatory and resourcing burden:** Whether the proposed rule will produce benefits to AEMO and market participants that exceed the costs of implementation incurred by AEMO and market participants.
- **Effective consultation:** Whether consolidating the consultation processes will enable market participants to engage with AEMO effectively in its decision-making process.

The proposed solution has potential costs and benefits for market participants. The Commission is interested in stakeholders' views on AEMO's assessment of the costs and benefits of the proposed rule.

¹⁰ Section 291(1) of the NGL.

¹¹ Section 23 of the NGL.

2 PROCESS FOR THIS RULE CHANGE

2.1 Treatment as a non-controversial rule change

The Commission considers that the rule change request should be subject to the expedited rule making process under s. 304 of the NGL on the grounds that the rule change request is a request for a non-controversial rule. This means that a draft rule is not published prior to the publication of a final rule.

The proposed rule is unlikely to have a significant effect on a market for gas or the regulation of pipeline services.¹²This is because the rule is not expected to impose a significant cost burden on any market participants. AEMO would only be required to make minor consequential amendments to its business processes.

The Commission has decided to use an expedited process to consider this rule change request provided that it does not receive any valid requests not to use the expedited process by 10 October 2019. To be valid, an objection should set out the reasons why the rule change request will have a significant effect on a market for gas or the regulation of pipeline services.

2.2 Key dates

Given the tightly defined nature of the issue, and the background information provided in the rule change request, this consultation paper is brief. Nevertheless, submissions are invited in relation to the matters identified above, and any other relevant issue.

The key dates for stakeholders in this process are as follows:

- Commencement of this rule change process: 26 September 2019
- Objections to an expedited process to be received by: 10 October 2019
- Submissions to the proposal to be received by: 24 October 2019
- Final decision to be published under an expedited process by: 21 November 2019

¹² See the definition of "non-controversial Rule" in s. 290 of the NGL.

3 LODGING A SUBMISSION

The Commission invites requests not to make a rule under the expedited process and written submissions on this rule change proposal.

All enquiries on this project should be addressed to Rupert Doney on (02) 8296 0668 or rupert.doney@aemc.gov.au.

3.1 Lodging a request not to make a rule under an expedited process

Written requests not to make a rule under the expedited process in s. 304 of the NGL must include reasons for the request, and must be lodged with the Commission by 10 October 2019 online in accordance with the process specified below.

3.2 Lodging a submission to this rule change request

Written submissions on the rule change request must be lodged with Commission by 24 October 2019 online in accordance with the process specified below.

Where practicable, submissions should be prepared in accordance with the Commission's guidelines for making written submissions on rule change requests.¹³ The Commission publishes all submissions on its website, subject to a claim of confidentiality.

3.3 Lodging online

Submissions, or requests not to make a rule under the expedited process, must be lodged online via the Commission's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code GRC0055.

The request or submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

¹³ This guideline is available on the Commission's website www.aemc.gov.au.

ABBREVIATIONS

AEMC	Australian Energy Market Commission
AEMO Commission	Australian Energy Market Operator See AEMC
NGL	National Gas Law
NGO	National gas objective
NGR	National Gas Rules
STTM	Short term trading market