

6 February 2014

Mr John Pierce  
Chairman  
Australia Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Level 22  
530 Collins Street  
Melbourne VIC 3000

**Postal Address:**  
GPO Box 2008  
Melbourne VIC 3001

T 1300 858724  
F 03 9609 8080

Dear Mr Pierce

### **Rule Change Request – Removal of Force Majeure Provisions**

We request the Australian Energy Market Commission (AEMC) make an amendment to the National Gas Rules (NGR) to remove the force majeure (FM) provisions for the Victorian Declared Wholesale Gas Market (DWGM).

The current FM provisions, system force majeure (SFM) and participant force majeure (PFM), are ineffective in an intra-day market and are misleading in that Market Participants (MP) believe the FM provisions can be relied upon for protection. Market forces should be allowed to resolve issues in times of market stress with the administered pricing cap (APC) offering protection only when the market can no longer react.

A description and drafting of the proposed Rule and a statement of how the proposed Rule contributes to the achievement of the National Gas Objective (NGO) is provided at Attachment A.

AEMO would be please if you could have these matters considered by the AEMC. For further details or to arrange a follow up presentation or discussion, please do not hesitate to contact Sandra McLaren, Group Manager – Stakeholder Relations, on (03) 9609 8355.

Yours sincerely



**Mike Cleary**  
**Chief Operating Officer**

Attachments: Rule Change Proposal



## Attachment A: Rule Change Proposal – Removal of Force Majeure Provisions

This Rule Change Proposal is structured as follows:

1	Summary .....	2
2	Relevant Background .....	2
3	Statement of Issues.....	3
4	Proposed Solution .....	5
5	Proposed Rule.....	8
6	How the Proposed Rule Contributes to the National Gas Objective.....	9
7	Expected Benefits and Costs of the Proposed Rule.....	10
	Appendix A: Draft Rule.....	11
	Appendix B: Public Consultation .....	18
	Glossary .....	19

## 1 Summary

The current force majeure (FM) provisions – comprising system force majeure (SFM) and participant force majeure (PFM) provisions – are redundant and/or ineffective in an intra-day market and are misleading in that Market Participants (MP) may believe the FM provisions can be relied upon for protection. Market forces should be allowed to resolve issues in times of market stress with the administered pricing cap (APC) offering protection only when the market can no longer react.

AEMO is proposing that Part 19 of the National Gas Rules be modified to remove the FM and SFM provisions for the Victorian Declared Wholesale Gas Market (DWGM).

## 2 Relevant Background

### 2.1 History of force majeure provisions

The FM provisions were established when the Victorian wholesale gas market was an ex-post daily market and were established in the Victorian Market and System Operation Rules (MSOR). These Rules were developed when the declared transmission system (DTS, formerly known as the VTS) only had injection points at Longford and the Dandenong liquefied natural gas (LNG) plant. Thus if there was a problem at one system injection point, it was likely that there would be a FM type event. With multiple injection points, additional injection bids are now generally available.

Further, with only one market schedule during the day, there was no opportunity for participants to re-bid to reflect changed conditions. The FM provisions provided some protection in these instances.

*Participant force majeure* – This is an event where a MP is unable to comply in all material respects with a scheduling instruction under the following circumstances:

- acts of God, including earthquake, flood, fires, storms, storm warnings, and navigational and maritime perils;
- labour disputes;
- acts of public enemies, wars, terrorism, civil disturbances, blockades, insurrections, riots, epidemics;
- any law, order, rule, regulation, act, restraint, omission or failure to act of any government authority, civil or military (whether or not in fact legally valid);
- failure of the declared transmission system (which may, or may not, constitute a SFM event);

- accident, premature, partial or entire failure, breakage, freezing, fire, explosion or other damage or malfunction resulting in the partial or complete shutdown of any part of a Market Participant's facilities;
- any other event, whether similar or dissimilar to those identified herein.

*System force majeure* – This is where:

- a government authority gives direction to AEMO or a declared transmission system service provider in respect of the operation of the DTS; or
- an event that is a PFM event.

In both instances the system force majeure is called where AEMO reasonably considers that either:

- the event has resulted in a reduction in the normal capacity of part or all of the declared transmission system and/or the volume of gas which would otherwise normally flow in the declared transmission system; or
- the event has resulted in a reduction in the normal capacity of part or all of a Producer's or Storage Provider's plant or facility reducing the volume of gas which would otherwise normally flow into the declared transmission system; and
- that reduction is likely to materially affect the operation of the Market or materially threaten system security.

## **2.2 Force majeure workshop**

A workshop was established on request of the Gas Wholesale Consultative Forum (GWCF) to review the FM provisions. The workshop focused on the effectiveness of FM provisions and alternative risk management mechanisms. The workshop concluded that the FM provisions are redundant and/or ineffective in an intraday market and that the triggers for an administered price cap should be reviewed.

## **3 Statement of Issues**

### **3.1 Issues with current situation**

AEMO has identified two issues with the current FM provisions:

- PFM provisions are redundant in intraday market
- SFM provisions ineffective and partially redundant

Each is described in more detail below.

### **3.1.1 PFM provisions redundant in intraday market**

In the daily ex-post market prior to February 2007, the PFM provisions gave the following protection:

- Advised AEMO of problems so appropriate action could be taken to maintain system security outside the single daily schedule.
- Provided MPs affected by PFM events protection from action under conduct provisions associated with the obligation to comply with scheduling instructions.
- May have invoked SFM (and administered price cap) where a PFM event materially affected the operation of the market or system security.

Following the introduction of the intraday ex-ante market in February 2007, alternate provisions were introduced that could have superseded some of the original provisions for a PFM event:

- MP's are required to update bids to reflect best estimates. This means that the next schedule issued will reflect the constraints of any event.
- MP's not conforming with scheduling instructions attract 'cost to cause' deviation payments to cover market costs of the deviation (despite being relieved of the obligation to comply with scheduling instructions).
- PFM is now less likely to trigger SFM by materially affecting the operation of the market or system security, as the re-bidding and multiple scheduling horizons will present other options for supply to meet demand.

### **3.1.2 SFM provisions ineffective and partially redundant**

The declaration of SFM requires AEMO to make decisions that the PFM event has materially affected the operation of the market or system security, but give no guidance as to the criteria for doing so. This factor has resulted in a significant dispute between AEMO and an MP following the last notification of a PFM event in November 2008.

Additionally, the introduction of the intraday ex-ante market has meant that re-bidding for the upcoming scheduling horizon will reflect circumstances of the day and generally will allow AEMO to determine a viable schedule from market bids. This means that there is generally no material impact on the market or system security, so no basis for AEMO to declare an SFM event with associated administered price period.

Where a viable schedule can be generated, and market prices are high, it is more likely that the cumulative price will be exceeded in the short term – significantly more so once this is adjusted down to \$1,800 from \$3,700<sup>1</sup>. This will then trigger an administered pricing period.

Where a viable schedule cannot be generated, AEMO will deal with the situation under the Threat to System Security or Emergency provisions of the rules.

### **3.2 Extent of issue**

On November 22 2008 a Market Participant declared a Participant FM event. Upon analysis, AEMO decided that the Participant FM request did not meet the requirement to trigger a SFM event as it was deemed that the event would not “materially affect the operation of the Market or materially threaten system security”. This was the first time that the FM provisions had been tested. The event went to dispute and the dispute resolution panel agreed with AEMO’s interpretation that there was no threat to system security and the market was not materially affected and therefore a System FM event could not be declared. The findings of the dispute resolution panel can be found at:

<http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/vic/VSC/2009/581.html?stem=0&synonyms=0&query=%5edispute%20resolution%20panel>

A post dispute FM workshop review held in June 2012 determined that the FM provisions could not be relied upon for compliance protection. The GWCF found that the intent of the PFM provisions were drafted to reflect the market when there was only a single source of injection in the market and that a number of decision points with no criteria for testing were required to declare a SFM.

## **4 Proposed Solution**

AEMO has identified two possible solutions to address the issues identified in section 3.

### **4.1 Removal of FM provisions**

The removal of FM provisions and relying on other means to trigger administered pricing is AEMO’s preferred solution as:

- PFM designed for an ex post daily market and is of limited use in ex ante intraday market
- Market should provide signals for investment – only cap prices when market can no longer react

<sup>1</sup> AEMO is currently consulting on changes to the Administered Pricing Procedures to reduce the CPT from \$3,700 to \$1,800 over 35 scheduling intervals.



- Administered pricing procedures provide sufficient protection when market cannot react through:
  - Market suspension under rule 347
  - Retailer of Last Resort (RoLR) under rule 224 – AEMO will declare an administered price period (APP) from the time that AEMO issues a suspension to a Retailer
  - Inability to publish market price or a pricing schedule by the required time under rule 222
  - Exceeding the Cumulative Price Threshold (CPT) under the Administered Pricing Procedures (APC) (rule 224). AEMO is currently consulting on reducing the CPT from \$3,700 to \$1,800.
  - Allows for the market to react in times of stress until such time the market is no longer able to. The market should then rely on the APC to provide market protection.

## **4.2 Change rules to address issues**

The Rules can be changed but AEMO believes this solution leaves some outstanding issues:

- PFM remains ineffective and at odds with rule 213
- Market unable to provide signals for investment – prices capped under more circumstances
- Difficulty in developing criteria for SFM decision
  - Must cover all circumstances
  - Necessarily still open to interpretation

## **4.3 Alternatives considered**

### **4.3.1 Force majeure workshop outcomes**

Attendees of the FM workshop agreed three basic goals to be achieved by the FM review. These were:

- Protect smaller players if possible
- Protect the market as a whole when necessary
- Make the triggers for an administered price period easily understood and readily determinable



The FM workshop considered a number of alternatives to FM:

#### 4.3.1.1 Quantifiable trigger

- Workshop attendees felt a quantifiable trigger could be used to replace the PFM and SFM entry points to the protections established in the Rules
- AEMO undertook further analysis to determine an appropriate volume / percentage point for a quantifiable trigger and provided a discussion paper to the GWCF
- The GWCF were wary of any trigger that would prevent the market from responding to market events. The GWCF felt that high prices provide an important signal about the available supply-demand balance and that MPs should be allowed to manage risk and exposure prior to market intervention. The GWCF agreed that the market already had a risk mechanism in the CPT and that this should be reviewed.
- Consensus was that the CPT level was too high and did not offer risk protection consistent with the Short Term Trading Market (STTM) and the National Electricity Market (NEM).

#### 4.3.1.2 Review of Cumulative Price Threshold

AEMO carried out analysis of the CPT review and published a final report in September 2013. The report provided two key findings. Firstly, the analysis showed that the current CPT settings may not provide sufficient wholesale market price risk mitigation for new entrant and rapidly growing retailers. Secondly, the level of residual risk implied by the current CPT settings was found to be out-of-step with other markets, therefore imposing an excessive and onerous management cost. AEMO concluded that these factors may create a barrier to entry, discouraging new retailers from entering the DWGM. This can reduce competition to the detriment of the National Gas Objective, and to the long-run interests of gas consumers. The report recommends:

- Leaving the Cumulative Price Period (CPP) at 35 scheduling intervals (7 days)
- Reducing the CPT from \$3,700 to \$1,800

Documentation on the CPT review is located at:

<http://www.aemo.com.au/Gas/Market-Operations/Declared-Wholesale-Gas-Market-Cumulative-Price-Threshold-Review>

AEMO commenced consultation on the administered pricing procedures to define a new CPT level of \$1,800 in October 2013. The consultation on the administered pricing procedures is located at:

<http://www.aemo.com.au/Consultations/Gas-Consultations/Wholesale-Gas/Wholesale-Market-Administered-Pricing-Procedures-Victoria>

#### **4.4 Additional procedure changes**

The following procedures will also require consequential amendments to implement the removal of the FM provisions. AEMO will consult on these procedures concurrently:

- Administered Pricing Procedures
  - Delete references to SFM
  - Additional section to be added to cover consultation process for APC and CPT
- Compensation Procedures
  - Delete references to SFM
- Gas Scheduling Procedures
  - Delete references to SFM

Current versions of these procedures can be found at the following link:

<http://www.aemo.com.au/Gas/Policies-and-Procedures/Declared-Wholesale-Gas-Market-Rules-and-Procedures>

#### **4.5 Consultation**

See appendix B for full details of consultation.

### **5 Proposed Rule**

#### **5.1 Proposed rule change**

The proposed rule seeks to remove the provisions for FM.

The proposed rule change would:

- Delete elements of 216 that refer to SFM and PFM
- Delete 216(9) and (10) deleted as they serve no material purpose and are adequately covered by 216(1) and (2)
- Provide AEMO with the power to determine the APC and CPT in new rule 224(A1)
- Additions to 224(1) ensure the process for setting and amending the APC, CPT and for declaring and ending administered pricing periods are set out in the administered pricing procedures
- Delete 224(5)(b) as rule refers to SFM

- Delete rule 346 as this rule covers SFM events
- Delete 347(1)(a) as SFM no longer a trigger for AEMO to declare a market suspension
- Delete 351(1)(c) as an intervention report for a SFM event would no longer be required

## **5.2 Associated rule changes to improve clarity**

AEMO has identified some amendments to definitions in providing clarity. The proposed rule would also:

- Delete rule 345 as superfluous given rule 224
- Amend the definition of administered price cap to refer to the price cap as specified in the administered pricing procedures rather than '*determined under rule 345*'.
- Define the CPT in the Rules

## **5.3 Draft of Proposed Rule**

A draft of the proposed rule has been included in Appendix A:

# **6 How the Proposed Rule Contributes to the National Gas Objective**

Before the AEMC can make the a Rule change it must apply the rule making test set out in the NGL, which requires it to assess whether the proposed Rule will or is likely to contribute to the NGO. Section 23 of the NGL states the national gas objective (NGO) is:

... 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, quality, safety, reliability and security of supply of natural gas.

AEMO considers that the proposed rule is likely to contribute to the NGO for the following reasons:

## **6.1 Administrative efficiency**

Removing clauses that have proven to be unworkable helps clarify the compliance protection available to the industry. The industry is likely to avoid potential costly disputes and be in a better position to make more informed decisions on days of potential risk. Removing clauses that have proven to be unworkable will provide greater administrative efficiency in operating the DWGM.

## **6.2 Risk management**

The proposed changes will clarify the current compliance protection and risk management processes the market has in place to manage exposure. The changes will allow MPs to make

more informed decisions on their actions on days of severe market stress. This will improve MP's ability to understand and manage risk exposure to cost penalties in the market which is anticipated to deliver benefits of lower gas to consumers.

The removal of the FM clauses will not affect MP's ability to manage risk or AEMO's ability to manage emergencies.

The continued existence of superseded (but still active) provisions provides a risk that MP's or AEMO will not react correctly in an event affecting supply, or that MP's will not identify and mitigate all market risks.

## **7 Expected Benefits and Costs of the Proposed Rule**

The proposed rule benefits all DWGM participants because it clarifies rule drafting by removing reference to compliance protection that cannot be triggered. This gives participants certainty in what risk mitigation tools can be triggered on what circumstances they will apply.

As the proposed rule seeks to clarify and reinforce existing practices, implementation of the rule would not impose any direct costs to AEMO or DWGM participants.

## Appendix A: Draft Rule

This draft is based on version 18 of the National Gas Rules.

### Part 19 Declared Wholesale Gas Market Rules

#### Division 1 Preliminary

##### 200 Definitions

In this Part:

**administered price cap** – see rule 224 ~~means a price cap determined in accordance with rule 345 which will apply during an administered price period~~

**cumulative price threshold** – see rule 224

~~Participant force majeure event means an event within the meaning of rule 216.~~

~~System force majeure event — See rule 346.~~

#### Division 2 Market Operation and Administration

##### Subdivision 2 Gas Scheduling

##### 216 Failure to conform to scheduling instructions

- (1) Subject to subrules (2) and (4), if AEMO issues a scheduling instruction in respect of a bid, the Market Participant who submitted the bid must comply with the scheduling instruction in all material respects.
- (2) If a Market Participant is unable to comply in all material respects with a scheduling instruction issued in respect of a bid, it must:
  - (a) notify AEMO that it is unable to comply with the scheduling instruction as soon as practicable after it becomes aware of its failure to comply and give the reasons for the failure; and
  - (b) advise AEMO of the actions proposed to be undertaken by the Market Participant to re-establish compliance with its obligations under this Subdivision; and
  - (c) Deleted where the failure was due to a participant force majeure event, keep AEMO informed at reasonable intervals of:
    - (i) the Market Participant's estimate of the likely duration of the participant force majeure event; and
    - (ii) any other matter which AEMO may reasonably request in connection with the occurrence of the participant force majeure event and the matters referred to in paragraph (b); and



- (d) provide AEMO with such evidence of the reasons for the failure as AEMO may reasonably require.
- (3) If a Market Participant is unable to comply in all material respects with a scheduling instruction issued in respect of a bid, AEMO must notify all Market Participants of that fact and AEMO must, on request, provide details of the reasons for the failure to comply:
  - (a) to the extent that those reasons have been provided to AEMO; and
  - (b) only to the extent that the information explains the effect on AEMO's operation of the declared transmission system, including the quantities of gas affected and the likely period of effect.
- (4) A Market Participant is not obliged to comply with a scheduling instruction issued in respect of a bid:
  - (a) ~~Deleted to the extent that it is unable to do so due to a participant force majeure event determined in accordance with subrule (5); or~~
  - (b) if, in the case of the Market Participant, not being a Producer, Storage Provider, or interconnected transmission pipeline service provider, having ordered a quantity of gas from a Producer or other person to enable it to comply with that bid and that Producer or other person was only required, under the terms of its contract with that Market Participant, to use its reasonable endeavours to deliver that quantity of gas and that Producer or other person does not in fact deliver that quantity of gas; or
  - (c) if, in the case of the Market Participant also being a Producer, Storage Provider or interconnected transmission pipeline service provider, that Market Participant has used its reasonable endeavours to deliver that quantity of gas but has not in fact delivered that quantity of gas provided that Market Participant has made its bid in good faith.
- (5) ~~Deleted A participant force majeure event is the occurrence or effects of any one or more of the events or circumstances set out in subrule (6) that:~~
  - ~~(a) is beyond the reasonable control of the Market Participant who is affected by the relevant event; and~~
  - ~~(b) results in or causes the Market Participant who is affected by the relevant event to fail to comply with scheduling instructions, either in part or in whole.~~
- (6) ~~Deleted An event referred to in subrule (5):~~
  - ~~(a) includes the following events or circumstances:~~
    - ~~(i) acts of God, including earthquake, flood, fires, storms, storm warnings, and navigational and maritime perils;~~
    - ~~(ii) labour disputes;~~

- ~~(iii) acts of public enemies, wars, terrorism, civil disturbances, blockades, insurrections, riots, epidemics;~~
- ~~(iv) any law, order, rule, regulation, act, restraint, omission or failure to act of any government authority, civil or military (whether or not in fact legally valid);~~
- ~~(v) failure of the declared transmission system (which may, or may not, constitute a system force majeure event);~~
- ~~(vi) accident, premature, partial or entire failure, breakage, freezing, fire, explosion or other damage or malfunction resulting in the partial or complete shutdown of any part of a Market Participant's facilities;~~
- ~~(vii) any other event, whether similar or dissimilar to those identified herein which meet the requirements of subrule (5);~~
- ~~(b) excludes, without limitation, the following events or circumstances:~~
  - ~~(i) financial hardship or the inability of a Market Participant, and/or any affiliate of a Market Participant, to make a profit or achieve a satisfactory rate of return resulting from performance or failure to perform its obligations under this Part or from the sale or consumption of gas;~~
  - ~~(ii) loss of Customers, loss of market share, or reduction in demand for gas; or~~
  - ~~(iii) failure or inability to perform attributable to market price.~~
- (7) Deleted Market Participants must use all reasonable endeavours to mitigate and minimise the occurrence and effects of a participant force majeure event.
- (8) Deleted Notwithstanding the obligation to mitigate and minimise imposed by subrule (7), the settlement of a labour dispute which constitutes a participant force majeure event is a matter which is within the absolute discretion of the Market Participant and nothing in this rule requires the Market Participant to settle or compromise a labour dispute where the Market Participant, in its sole and absolute discretion, considers that course to be inappropriate.
- (9) Deleted to subrule (2), if a Market Participant fails to comply in any material respect (as determined by AEMO in its reasonable opinion) with a scheduling instruction issued in respect of a bid and is not excused from complying with that scheduling instruction under subrule (4), then:
  - (a) AEMO must notify the relevant Market Participant that the gas injection or gas withdrawal does not conform and request a reason for the Market Participant's failure to comply with the scheduling instruction; and
  - (b) if the relevant Market Participant fails to respond to the request set out in paragraph (a) or if AEMO is not satisfied that the relevant Market Participant will respond to any future scheduling instruction, AEMO may intervene by issuing directions or requiring the Market Participant to take action in accordance with



~~Division 5, Subdivision 5 (which intervention may include requiring the Market Participant to inject or withdraw gas at a constant rate).~~

- (10) ~~Deleted Until a Market Participant responds to a request under subrule (9)(a) and AEMO is satisfied that the Market Participant will respond to future scheduling instructions, the gas injection or gas withdrawal which is the subject of the bid will be regarded as non-conforming.~~

### **Subdivision 3            Determination of market price**

#### **224            Administered Pricing**

(A1) For the purposes of this Part, AEMO must determine:

- (a) an administered price cap to apply as described in rules 222 and 349; and
  - (b) a cumulative price threshold to be used as a factor in determining the start and end of an administered price period.
- (1) AEMO must make Procedures (**administered pricing procedures**) that specify:
- (a) the administered price cap and the cumulative price threshold determined by AEMO under subrule 224(A1);
  - (b) the process by which AEMO will consult with Market Participants on the approach to determining the administered price cap and the cumulative price threshold; and
  - (c) ~~and define~~ the process that AEMO must apply to declare and end administered price periods.
- (2) During an administered price period, market prices must not exceed the administered price cap, and ancillary payments must be determined and limited by the administered price cap in accordance with rule 239(5).

### **Subdivision 6            Settlements**

#### **239            Ancillary payments**

- (1) Subject to subrule (2), AEMO must make Procedures (**ancillary payment procedures**) governing the determination of ancillary payments.
- (2) If AMDQ has been nominated as a hedge against uplift payments, scheduled injections supporting AMDQ do not qualify for ancillary payments.

- (3) Subject to subrules (4), (5) and (6), any Market Participant who is given a scheduling instruction to inject or withdraw more gas than the quantity of gas that the Market Participant was scheduled to inject or withdraw under the relevant pricing schedule, is entitled to receive an ancillary payment in accordance with this rule.
- (4) Ancillary payments payable to a Market Participant who is scheduled to inject or withdraw less gas under the relevant pricing schedule than the quantity required in the relevant scheduling instruction are limited to the quantities of gas injected or withdrawn in accordance with the relevant scheduling instruction, as the case may be.
- (5) If and for so long as any of the following apply:
- (a) the administered price cap applies; or
  - (b) ~~AEMO has declared a system force majeure event has occurred; or~~
  - (c) AEMO has suspended the Market under rule 347;
- then, for the purposes of determining ancillary payments payable to a Market Participant under this rule, the price steps of the relevant bids must be limited to the administered price cap.
- (6) If a Market Participant is instructed by AEMO to inject or withdraw a quantity of gas less than the amount of gas specified for injection or withdrawal (as the case may be) by that Market Participant in the pricing schedule, that Market Participant is not entitled to be paid ancillary payments for that amount.
- (7) AEMO must determine and publish the estimated total ancillary payments for each scheduling horizon when publishing the operating schedule and pricing schedule applicable to that scheduling horizon.

## **Division 5 Intervention and market suspension**

### **Subdivision 6 ~~Force majeure and m~~Market suspension**

#### **345 Deleted Administered price cap**

~~AEMO must determine an administered price cap to be used as described in rules 222 and 349, and included in the administered pricing procedure.~~

#### **346 Deleted System force majeure events**

- ~~(1) A system force majeure event is the occurrence of any one or more of the events or circumstances set out in subrule (2) where AEMO reasonably considers that:~~
- ~~(a) either:~~
    - ~~(i) the event has resulted in a reduction in the normal capacity of part or all of the declared transmission system and/or the volume of gas which would otherwise normally flow in the declared transmission system; or~~

- ~~(ii) the event has resulted in a reduction in the normal capacity of part or all of a Producer's or Storage Provider's plant or facility reducing the volume of gas which would otherwise normally flow into the declared transmission system; and~~
  - ~~(b) that reduction is likely to materially affect the operation of the Market or materially threaten system security.~~
- ~~(2) An event referred to in subrule (1) is any of the following events:~~
  - ~~(a) a government authority gives directions to AEMO or a declared transmission system service provider in respect of the operation of the declared transmission system; or~~
  - ~~(b) an event that is a Participant force majeure event and which, in the reasonable opinion of AEMO, satisfies the requirements of subrule (1).~~
- ~~(3) AEMO must notify all Registered participants without delay of the occurrence of any system force majeure event.~~
- ~~(4) Registered participants and AEMO must use all reasonable endeavours to:~~
  - ~~(a) ensure that they do not cause or exacerbate a system force majeure event; and~~
  - ~~(b) mitigate the occurrence and effects of a system force majeure event.~~
- ~~(5) If any system force majeure event occurs then AEMO must declare an administered price period during which the price must be determined by AEMO in accordance with the principles in rule 349(2).~~
- ~~(6) Following a declaration by AEMO of an administered price period in accordance with subrule (5), the administered price period is to continue until AEMO declares the system force majeure event and the administered price period to be at an end and notifies all Registered participants accordingly.~~

### **347 Conditions for suspension of the market**

- (1) Subject to subrule (2), AEMO may declare the Market to be suspended when:
  - (a) ~~Deleted a system force majeure event occurs; or~~
  - (b) an emergency occurs; or
  - (c) AEMO has been directed by a government authority to suspend the Market or operate all or part of the declared transmission system in a manner contrary to the provisions of this Part; or
  - (d) AEMO determines that it is necessary to suspend the Market because it has become impossible to operate the Market in accordance with the provisions of this Part.

- 
- (2) AEMO must not suspend the Market solely because:
- (a) market price has reached VoLL; or
  - (b) AEMO has issued an emergency direction; or
  - (c) AEMO has intervened in the Market because of a threat to system security under Subdivision 5.

### **351 Intervention reports**

- (1) Within 10 business days after one or more of the following events:
- (a) an intervention by AEMO;
  - (b) an event which, in AEMO's reasonable opinion, is or may be a threat to system security;
  - (c) Deleted ~~a system force majeure event;~~
  - (d) an emergency,
- AEMO must investigate the circumstances of that event and prepare a report to assess:
- (e) the adequacy of the provisions of this Part relevant to the event or events; and
  - (f) the appropriateness of actions taken by AEMO in relation to the event or events; and
  - (g) the costs incurred by AEMO and Registered participants as a consequence of responding to the event or events.
- (2) AEMO must publish the report on completion.



## Appendix B: Public Consultation

- A FM workshop as held on 19 June 2012. A copy of the presentation and notes can be found at:  
<http://www.aemo.com.au/Gas/Resources/Working-Groups/Gas-Wholesale-Consultative-Forum>
- GWCF 12-005-01 Force Majeure Drafting Instructions and GWCF 12-005-02 APC Trigger – Bid Stack Analysis were presented to the GWCF 174 on 19 September 2012. The papers and minutes can be found at:  
<http://www.aemo.com.au/Gas/Resources/Working-Groups/Gas-Wholesale-Consultative-Forum/GWCF-Meeting-174-18-September-2012>
- GWCF 12-005-03 APC Trigger Review and GWCF 12-005-04 Removal of Force Majeure Provisions were presented to the GWCF 175 on 23 October 2012. The papers and minutes can be found at:  
<http://www.aemo.com.au/Gas/Resources/Working-Groups/Gas-Wholesale-Consultative-Forum/GWCF-Meeting-175-23-October-2012>
- GWCF 12-005-05 Removal of FM Provisions v2 was presented at GWCF 176 on 20 November 2012. The paper and minutes can be found at:  
<http://www.aemo.com.au/Gas/Resources/Working-Groups/Gas-Wholesale-Consultative-Forum/GWCF-Meeting-176-20-November-2012>
- CPT Review Final Report and submissions can be found at:

## Glossary

Term or Abbreviation	Explanation
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
APC	Administered Price Cap
APP	Administered Price Period
CPP	Cumulative Price Period
CPT	Cumulative Price Threshold
DTS	Declared Transmission System
DWGM	Declared Wholesale Gas Market
FM	Force Majeure
GWCF	Gas Wholesale Consultative Forum
MP	Market Participant
MSOR	Market and System Operations Rules
NEM	National Electricity Market
NGL	National Gas Law
NGO	The National Gas Objective as stated in section 23 of the NGL
NGR	National Gas Rules
PFM	Participant Force Majeure
RoLR	Retailer of Last Resort
SFM	System Force Majeure
STTM	Short Term Trading Market

