



Portfolio rights trading in the Victorian gas market

Commencement of consultation on rule change request

The AEMC has commenced consultation on a rule change request submitted by the Australian Energy Market Operator proposing new arrangements to facilitate the trading of the financial benefits associated with authorised MDQ and AMDQ credit certificates between market participants in the Victorian declared wholesale gas market.

Overview

On 14 November 2013, AEMO submitted a rule change request in relation to the introduction of portfolio rights trading (PRT) in the Victorian declared wholesale gas market (DWGM).

Under the proposal, PRT would be a market mechanism to facilitate the transfer of the financial benefits associated with authorised MDQ (AMDQ) and AMDQ credit certificates (AMDQ cc) allocated to close proximity points (CPP) between market participants.¹ Physical ownership of AMDQ and AMDQ cc and any curtailment rights would remain unchanged by PRT.

The aim of the rule change request is to promote more efficient utilisation of transmission pipeline capacity and thereby defer the need for new pipeline investment in DWGM.

Details of the rule change request

In the rule change request, AEMO identifies a number of barriers which it considers currently limit the ability of market participants to acquire AMDQ and AMDQ cc to meet their injection tie-breaking and uplift hedge needs.

To address this issue, AEMO has proposed a number of amendments to Part 19 of the NGR to facilitate the introduction of PRT.

AEMO proposes that PRT will enable market participants to transfer all or part of their portfolio of financial benefits associated with holdings AMDQ and AMDQ credit certificates to other market participants operating in the DWGM. These financial benefits include priority in scheduled injections (that is, injection tie-breaking rights) and reduced uplift payments (that is, uplift hedge protection).

In providing the proposed framework for trade, the proposal would effectively enable underutilised AMDQ and AMDQ cc to become available to market participants who currently do not have enough to cover their available injections.

The proposed PRT model includes the following:

- A new market systems interface for registering and confirming bilateral trades between market participants.
- A new module in AEMO's market systems for updating market participant's AMDQ and AMDQ cc allocation to take account of the traded quantities.

The proposed PRT model does not include contract terms and payments. Financial transactions related to PRT will take place through bilateral contracts between the trading parties outside of the NGR.

The changes proposed to Part 19 of the NGR include a number of amendments to existing definitions and rules, as well as the inclusion of a number of new definitions and rules.

¹ This would include the entitlements to the market benefits of all the AMDQ from Tariff V and Tariff D customers, plus any AMDQ cc held by the market participant.

Submissions to the consultation paper are due by 10 April 2014.

Background

AMDQ and AMDQ cc is a right recognised by the National Gas Rules (NGR) and is normally held by a customer. AMDQ cc is a right created by contract is normally held by a market participant (but can also be acquired directly by a customer).

Broadly, there are two different types of benefits from holding AMDQ and AMDQ cc:

- **Limited physical access rights:** The underlying AMDQ and the physical rights associated with AMDQ cc give a customer some protection against curtailment in the event of an emergency. These physical rights are owned by the customer.
- **Financial rights:** The market benefits associated with AMDQ and AMDQ cc are held by market participants and include:
 - *Priority in scheduled injections* (injection tie-breaking rights (ITR)): When there are equal-priced injection bids, those associated with AMDQ or AMDQ ccs are scheduled first;
 - *Reduced uplift payments* (uplift hedge (UH) protection): Market participants can use part or all of their AMDQ or AMDQ credits to hedge against congestion uplift charges up to their Authorised Maximum Interval Quantity (AMIQ).

The entitlements to the 'portfolio' of financial rights (that is, to the market benefits associated with AMDQ and AMDQ cc) held by a market participant are the 'rights' that are proposed to be traded under PRT. The underlying AMDQ and AMDQ cc and the curtailment rights associated with it would remain with the customer or market participant who owns them.

Consultation process

The consultation paper has been prepared to facilitate public consultation and assist stakeholders in providing submissions on the rule change request. The consultation paper should be read in conjunction with AEMO's rule change request which is available on the AEMC website.

Submissions to the consultation paper are due by **10 April 2014**.

For information contact:

AEMC Senior Director, **Anne Pearson** (02) 8296 7800

AEMC Senior Advisor, **Claire Rozyn** (02) 8296 7800

Media:

Communication Manager, Prudence Anderson 0404 821 935 or (02) 8296 7817

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