

WHOLESALE MARKET PORTFOLIO RIGHTS TRADING PROCEDURES (VICTORIA)

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This document commences on xxxx and is current to the version of the National Gas Rules applicable at that date.

Approved for distribution and use

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This document has been created by Market Operations and Performance and will be reviewed from time to time.

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Important Notice

These Procedures are made by AEMO under rule [331A] of the National Gas Rules (NGR), and have effect only for the purposes set out in the NGR. The NGR and the National Gas Law prevail over these Procedures to the extent of any inconsistency.

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Glossary

- (a) In this document, a word or phrase *in this style* has the same meaning as given to that term in the NGR.
- (b) In this document, capitalised words or phrases or acronyms have the meaning set out opposite those words, phrases, or acronyms in the table below.
- (c) Unless the context otherwise requires, this document will be interpreted in accordance with Schedule 2 of the National Gas Law.

TERM	MEANING
Eligible Market Participant	A person who is registered by AEMO under Part 15A of the NGR in one of the following registrable capacities in the declared wholesale gas market: <ul style="list-style-type: none"> • <i>Market Participant – Retailer</i> • <i>Market Participant – Trader</i> • <i>Market Participant – Transmission Customer</i> • <i>Market Participant – Distribution Customer.</i>
NGR	National Gas Rules.
Portfolio Rights	Rights of an Eligible Market Participant to have a quantity of <i>authorised MDQ</i> or <i>AMDQ credit</i> applied for the benefit of that Eligible Market Participant as set out in clause 4.
PRT Nomination	A nomination for the transfer of Portfolio Rights submitted under clause 6.
PRT Transferor	An Eligible Market Participant who transfers Portfolio Rights to another Eligible Market Participant.
PRT Transferee	An Eligible Market Participant who receives Portfolio Rights from another Eligible Market Participant.
close proximity injection point	As defined in the NGR, and including (for the avoidance of doubt), a group of <i>system injection points</i> that are treated as the same <i>injection point</i> .

Definitions of terms in equations

TERM	MEANING
AMDQ (x, d, cpp)	The quantity of <i>authorised MDQ</i> or <i>AMDQ credit</i> available to an Eligible Market Participant x for Portfolio Rights trading for a <i>gas day d</i> in respect of a <i>close proximity injection point cpp</i> .
AMDQ^{Adj}(tr = x, d, cpp)	The amount of adjusted authorised MDQ or AMDQ credit for an Eligible Market Participant x for Portfolio Rights trading for a <i>gas day d</i> in respect of a <i>close proximity injection point cpp</i> .
AMDQ^{Alloc}(tr = x, te = y, d, cpp)	The amount of a PRT Transferor x's available Portfolio Rights allocated to a PRT Transferee y for a <i>gas day d</i> in respect of a <i>close proximity injection point cpp</i> .
AMDQ^D(x, d, cpp, site = i)	The amount of <i>tariff D authorised MDQ</i> or <i>AMDQ credit</i> allocated to a customer site i supplied by a <i>Market Participant x</i> for a <i>gas day d</i> in respect of a <i>close proximity</i>

TERM	MEANING
	<i>injection point cpp as determined under the uplift payment procedures.</i>
AMDQ^{Div}(x, d, cpp)	The diversified <i>authorised MDQ</i> or <i>AMDQ credit</i> of a <i>Market Participant x</i> for a <i>gas day d</i> in respect of a <i>close proximity injection point cpp</i> determined under the <i>uplift payment procedures</i> .
AMDQ^{Hub}(x, d, cpp)	The quantity of <i>authorised MDQ</i> or <i>AMDQ credit</i> that an <i>Eligible Market Participant x</i> for <i>Portfolio Rights trading</i> has nominated to a nominal <i>Reference Hub</i> for a <i>gas day d</i> in respect of a <i>close proximity injection point cpp</i> .
AMDQ^V(x, d, cpp)	The amount of <i>tariff V authorised MDQ</i> allocated to a <i>Market Participant x</i> for a <i>gas day d</i> in respect of a <i>close proximity injection point cpp</i> as determined under the <i>uplift payment procedures</i> .
cpp	A close proximity injection point.
d	Gas day d
DF (x, d, cpp, site = i)	The diversity factor for an individual site i supplied by a <i>Market Participant x</i> for a <i>gas day d</i> in respect of a <i>close proximity injection point cpp</i> . It is the ratio of the average site load on five valid coincident peak days and the average of the five individual site peak days.
x	An <i>Eligible Market Participant x</i> for <i>Portfolio Rights trading</i>
site	A <i>Tariff D site</i>
Tr	A <i>Portfolio Rights Transferor</i>
Te	A <i>Portfolio Rights Transferee</i>

1 Preliminary

1.1 Introduction

- a) These are the *portfolio right[s] trading procedures* for the declared wholesale gas market made in accordance with rule [331A] of the NGR.
- b) These Procedures commence on **xxxx** 2014.
- c) These Procedures may only be amended in accordance with Part 15B of the NGR.

1.2 Application

These Procedures govern the trading of rights in respect of *authorised MDQ* and *AMDQ credit* between Eligible Market Participants.

1.3 Related Policies and Procedures

- Wholesale Market Uplift Payment Procedures (Victoria)
- Wholesale Market Gas Scheduling Procedures (Victoria)
- Wholesale Market Electronic Communication Procedures (Victoria)
- Wholesale Market AMDQ Transfer Procedures (Victoria)

2 Portfolio Rights Trading Facility

AEMO will establish and maintain a facility through which Eligible Market Participants may register trades of Portfolio Rights with AEMO, subject to these Procedures.

3 Permitted Trades

3.1 Eligible transfers

A trade of Portfolio Rights can only be registered with AEMO under these Procedures if:

- (a) both the transferor and the transferee are Eligible Market Participants;
- (b) the trade relates to authorised MDQ or AMDQ credit that has been associated by AEMO with a *close proximity injection point*;
- (c) the quantity of Portfolio Rights traded does not exceed the quantity of *authorised MDQ or AMDQ credit* available to the transferor, determined under clause 5; and
- (d) the transferor and the transferee have complied with the requirements in these Procedures.

3.2 Multiple transfers permitted

A PRT Transferee can receive PRT Nominations from multiple PRT Transferors at a *close proximity injection point* for any given *gas day*.

3.3 No transfer of ownership

A trade of Portfolio Rights does not transfer ownership of the underlying *authorised MDQ or AMDQ credit*. Transfers of *authorised MDQ or AMDQ credit* between parties may be effected in accordance with the *AMDQ transfer procedures*.

4 Entitlements provided by Portfolio Rights

4.1 Uplift hedge and priority of bids

Portfolio Rights provide an Eligible Market Participant with:

- (a) uplift hedge determined pursuant to clause 3.5 and 3.6 of the *uplift payment procedures*; and
- (b) priority of *scheduling* of equally beneficial *injection bids* pursuant to rule 214 of the NGR.

4.2 No customer curtailment rights

Rights to *authorised MDQ and AMDQ credits* assigned to *Tariff D customers* are not tradeable under these Procedures, and accordingly Portfolio Rights are not used to determine customer curtailment in the event of a threat to *system security* attributable to a *transmission constraint* under rule 343(2) of the NGR.

5 Available quantity of tradeable Portfolio Rights

The quantity of *authorised MDQ* or *AMDQ credit* available to an Eligible Market Participant for Portfolio Rights trading for a *gas day* in respect of a *close proximity injection point* is:

- (a) at Longford, the sum of:
- (i) the diversified *authorised MDQ* of that *Market Participant* determined under the *uplift payment procedures*; and
 - (ii) the amount of *tariff V authorised MDQ* allocated to that *Market Participant* as determined under the *uplift payment procedures*

calculated in accordance with the following formula:

$$\begin{aligned}
 & \text{AMDQ}(x, d, \text{cpp}) \\
 = & \text{AMDQ}^{\text{Div}}(x, d, \text{cpp}) + \text{AMDQ}^{\text{V}}(x, d, \text{cpp}) \\
 = & \text{AMDQ}^{\text{Hub}}(x, d, \text{cpp}) + \sum_{i=1,2,\dots,n} \text{AMDQ}^{\text{D}}(x, d, \text{cpp}, \text{site} = i) * \text{DF}(x, d, \text{cpp}, \text{site} = i) \\
 & + \text{AMDQ}^{\text{V}}(x, d, \text{cpp})
 \end{aligned}$$

- (b) at *close proximity injection points* other than Longford, the diversified *AMDQ credit* quantities determined under the *uplift payment procedures* for registered *AMDQ credit certificates* of that *Market Participant*, calculated in accordance with the following formula:

$$\begin{aligned}
 & \text{AMDQ}(x, d, \text{cpp}) \\
 = & \text{AMDQ}^{\text{Div}}(x, d, \text{cpp}) \\
 = & \text{AMDQ}^{\text{Hub}}(x, d, \text{cpp}) + \sum_{i=1,2,\dots,n} \text{AMDQ}^{\text{D}}(x, d, \text{cpp}, \text{site} = i) * \text{DF}(x, d, \text{cpp}, \text{site} = i)
 \end{aligned}$$

less, in each case, the quantity of Portfolio Rights transferred by that *Market Participant* under PRT Nominations accepted by AEMO in respect of the relevant *gas day* and System Injection Point.

For the avoidance of doubt, the quantities determined under this clause 5 do not include any Portfolio Rights transferred to that *Market Participant* under these Procedures.

6 PRT Nominations

6.1 Timing requirements

A PRT Transferor who wishes to trade Portfolio Rights for a *gas day* must submit a PRT Nomination to AEMO, and the PRT Transferee must confirm that nomination to AEMO, by 5:00 am on the day before the day on which the *gas day* commences.

A PRT Nomination cannot be changed or withdrawn after this time.

6.2 Nomination details

A PRT Nomination must include the following details:

- (a) the name of the PRT Transferor and Transferee(s);
- (b) the *close proximity injection points* associated with the Portfolio Rights to be traded;
- (c) the first and last *gas days* of the period in which the trade is to be effective;
- (d) the quantity of Portfolio Rights that the PRT Transferor nominates to transfer to each PRT Transferee, subject to clause 5; and
- (e) the allocation method, being one of the methods described in clause 6.3.

6.3 Allocation methods

6.3.1 Pro-rata method

If the pro-rata method is selected and if the sum of the nominated quantities for all PRT Transferees nominated by the PRT Transferor for a *gas day* in respect of a *close proximity injection point* exceeds the PRT Transferor's available Portfolio Rights determined under clause 5, each relevant PRT Transferee will be allocated an amount of that PRT Transferor's available Portfolio Rights on a pro-rata basis determined by reference to the quantity nominated for that PRT Transferee as a proportion of the aggregate quantity nominated for all PRT Transferees at the same *close proximity injection point* and *gas day*. This is calculated in accordance with the following formula:

$$\begin{aligned} & \text{AMDQ}^{\text{Alloc}}(\text{tr} = x, \text{te} = y, \text{d}, \text{cpp}) \\ = & \min(\text{AMDQ}(x, \text{d}, \text{cpp}), \sum_{\text{te}=1,2,\dots,m} \text{AMDQ}^{\text{Nom}}(\text{tr} = x, \text{te}, \text{d}, \text{cpp})) * \\ & \text{AMDQ}^{\text{Nom}}(\text{tr} = x, \text{te} = y, \text{d}, \text{cpp}) / \sum_{\text{te}=1,2,\dots,m} \text{AMDQ}^{\text{Nom}}(\text{tr} = x, \text{te}, \text{d}, \text{cpp}) \end{aligned}$$

6.3.2 Preference method

If the preference method is selected, the PRT Transferor must assign a priority to each PRT Transferee at a *close proximity injection point* for a *gas day*. The PRT Transferor's available Portfolio Rights determined under clause 5 will then be allocated to PRT Transferees in the order of their priority ranking until the available Portfolio Rights have been exhausted. This is calculated in accordance with the following formula:

If $rk=1$,

$$\begin{aligned} & \text{AMDQ}^{\text{Alloc}}(\text{tr} = x, \text{te} = y, \text{d}, \text{cpp}) \\ = & \min(\text{AMDQ}(x, \text{d}, \text{cpp}), \text{AMDQ}^{\text{Nom}}(\text{tr} = x, \text{te} = y, \text{d}, \text{cpp}, rk = 1)) \end{aligned}$$

If $rk>1$,

$$\begin{aligned} & \text{AMDQ}^{\text{Alloc}}(\text{tr} = x, \text{te} = y, \text{d}, \text{cpp}) \\ = & \min(\max(0, \text{AMDQ}(x, \text{d}, \text{cpp}) - \sum_{1 < rk \leq k-1} \text{AMDQ}^{\text{Nom}}(\text{tr} = x, \text{te}, \text{d}, \text{cpp}, rk)), \end{aligned}$$

$$\text{AMDQ}^{\text{Nom}}(\text{tr} = x, \text{te} = y, \text{d}, \text{cpp}, \text{rk} = k)$$

6.4 Validation of nominations

AEMO will validate, reject or accept confirmed PRT Nominations in accordance with the conditions set out in these Procedures and in accordance with the *electronic communication procedures*.

7 Determination of a Market Participant's adjusted authorised MDQ and AMDQ Credits

7.1 Longford

A Market Participant's adjusted authorised MDQ for a gas day at the Longford close proximity injection point equals:

- its diversified *authorised MDQ* for that gas day at the Longford close proximity injection point determined in accordance with clause 5(a); plus
- the sum of the Portfolio Rights transferred to it under accepted PRT Nominations for that gas day at the Longford close proximity injection point; less
- the sum of the Portfolio Rights transferred by it to other Eligible Market Participants under accepted PRT Nominations for that gas day at the Longford close proximity injection point,

and is calculated in accordance with the following formula:

$$\begin{aligned} & \text{AMDQ}^{\text{Adj}}(x, \text{d}, \text{cpp}) \\ = & \text{AMDQ}(x, \text{d}, \text{cpp}) - \sum_{y=1,2,\dots,n} \text{AMDQ}^{\text{Alloc}}(\text{tr} = x, \text{te} = y, \text{d}, \text{cpp}) + \sum_{z=1,2,\dots,n} \text{AMDQ}^{\text{Alloc}}(\text{tr} = z, \text{te} = x, \text{d}, \text{cpp}) \end{aligned}$$

7.2 Other close proximity injection points

A Market Participant's adjusted AMDQ credits for a gas day at close proximity injection points other than Longford equals:

- its diversified *AMDQ credit* for that gas day at the relevant close proximity injection point determined in accordance with clause 5(b); plus
- the sum of the Portfolio Rights transferred to it under accepted PRT Nominations for that gas day at that close proximity injection point; less
- the sum of the Portfolio Rights transferred by it to other Eligible Market Participants under accepted PRT Nominations for that gas day at that close proximity injection point,

and is calculated in accordance with the following formula:

$$\begin{aligned}
 & \text{AMDQ}^{\text{Adj}}(\text{tr} = x, d, \text{cpp}) \\
 = & \text{AMDQ}(x, d, \text{cpp}) - \sum_{y=1,2,\dots,n} \text{AMDQ}^{\text{Alloc}}(\text{tr} = x, \text{te} = y, d, \text{cpp}) + \sum_{z=1,2,\dots,n} \text{AMDQ}^{\text{Alloc}}(\text{tr} = z, \text{te} = x, d, \text{cpp})
 \end{aligned}$$

7.3 Application of adjusted quantities

AEMO must use a *Market Participant's adjusted authorised MDQ* at the Longford close proximity injection point and its *adjusted AMDQ credits* at other close proximity injection points as inputs to the determination of its uplift hedge and priority of scheduling of equally beneficial injection bids.

8 Notification to declared transmission system service provider

AEMO must notify the *declared transmission system service provider* of the daily quantities of AMDQ credits traded between each PRT Transferor and PRT Transferee, for the purpose of determining transportation charges payable under its access agreements with *Market Participants*.