

1 April 2011

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
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FROM THE OFFICE OF THE  
CHIEF EXECUTIVE OFFICER

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By online submission and mail

*John,*  
Dear Mr Pierce

### **Rule Change Proposal – STTM: Brisbane hub**

The Ministerial Council on Energy (MCE) and the Queensland Government announced early in 2010 that the STTM is to be implemented in Queensland in 2011. The MCE has asked the Australian Energy Market Operator (AEMO) to implement the STTM initially at a new hub at Brisbane by December 2011, with the potential for further hubs in Queensland in the future.

The National Gas Rules (NGR) relating to the STTM were modified by the MCE to cater for the intended hub at Brisbane prior to their enactment by the South Australian Minister for Energy on 7 May 2010. The changes by the MCE at that time were intended to address the requirements for implementation of a Brisbane hub and thereby avoid risks of delay that could arise from a protracted rule change process.

AEMO has undertaken a detailed review of the application of the STTM to Brisbane in light of the physical characteristics of the network and the bilateral contractual arrangements that exist at Brisbane. The review verified that the STTM can be applied to that hub without change to the core design of the STTM. The review identified the need for changes to the transportation agreements and it is understood that negotiations on this have started. The review also identified the need for minor changes to the NGR to address technical aspects of the implementation, as follows:

1. Permitting self contracting users to participate in the Queensland Retail Gas Market
2. Providing a different gas day for the Brisbane hub
3. Allowing all withdrawals from a hub to be treated equally
4. Permitting transmission connected users to participate in contingency gas
5. Technical amendments to the transitional provisions

These proposed Rule changes are requested to reduce costs, increase efficiency, maximise competition, and reduce barriers to entry, when the STTM commences at the Brisbane hub on 1 December 2011. They are consistent with the 'Statement on Principles for Gas Market Development' that was published by the Ministerial Council on Energy in December 2004 and the National Gas Objective.

Following extensive consultation of the proposed Rule changes, AEMO asks that the AEMC progress the proposed Rule changes under the "Fast Track" Rule change process, as

allowed under section 305 of the National Gas (South Australia) Act 2008. This approach facilitates commencement of the Market Trial on 1 September 2011 and commencement of the STTM at a Brisbane hub on 1 December 2011.

In parallel, to meet the required implementation timeline, AEMO is making consequential changes based on these proposals to the STTM Procedures and its central market systems. Industry is also implementing the necessary changes to their commercial arrangements and market and trading systems.

A statement of the issues concerning the existing NGR requirements together with a description of the proposed changes and how they contribute to the achievement of the National Gas Objective is provided at Attachment A. The proposed Rule changes, as a change-marked version of the current NGR, are provided in Attachment B. An overview of the STTM is at Attachment C and details of the consultations conducted by AEMO (in support of the 'fast track' request) is at Attachment D.

AEMO would be pleased if you would have these matters considered by the AEMC in a timely manner. For further details, please do not hesitate to contact Craig Price, Senior Manager Queensland STTM, on 03 9609 8590.

Yours sincerely



Matt Zema  
**Managing Director and Chief Executive Officer**

**Attachments:**

- Attachment A: Rule Change Proposals
- Attachment B: Proposed Rule Changes
- Attachment C: Overview of the STTM
- Attachment D: Consultation conducted by AEMO

## Attachment A: Rule Change Proposal

### Structure of this Rule Change Proposal

This consolidated Rule Change Proposal is structured as follows:

- A1. Overview of the Rule Change Proposal
- A2. Glossary
- A3. Self Contracting User
- A4. Gas Day
- A5. Withdrawals from a hub
- A6. Contingency Gas
- A7. Transitional Provisions



## A1. Overview of the Rule Change Proposal

### 1.1 Introduction

The Ministerial Council on Energy (MCE) and the Queensland Government announced early in 2010 that the Short Term Trading Market (STTM) was to be implemented in Queensland in 2011. The MCE asked the Australian Energy Market Operator (AEMO) to manage the implementation, initially at a new hub at Brisbane; with the potential for further hubs in Queensland in the future. The MCE incorporated provisions into the STTM Rules within the National Gas Rules (NGR) to provide for the establishment of a Brisbane hub.

The MCE noted that the establishment of the Brisbane hub was a significant development in the Queensland gas market and will further progress the MCE's gas market reform agenda. The Queensland Government is committed to implementing the STTM at the Brisbane hub in 2011.

AEMO has undertaken a detailed review of the application of the STTM to the Brisbane hub, in light of the physical characteristics of the network and the bilateral contractual arrangements that exist at Brisbane. The review was conducted in consultation with industry through the STTM Consultative Forum (STTM-CF). The review verified that the STTM can be applied to the Brisbane hub without change to the core design. The review identified the need for changes to the bilateral contractual arrangements and it is understood that negotiations on this have started. The review also identified the need for minor Rule changes to address technical aspects when the STTM commences at the Brisbane hub, as follows:

1. Permitting Self Contracting Users to participate in the Queensland retail gas market
2. Providing a different gas day for the Brisbane hub
3. Allowing all withdrawals from a hub to be treated equally
4. Permitting Transmission connected users to participate in contingency gas
5. Making technical amendments to the transitional provisions

### 1.2 Development of the initial STTM Rules

During 2009 and 2010 the MCE, after consultation with the Gas Market Leaders Group (GMLG), associated industry forums and the public, developed changes to the National Gas Law (NGL) and the NGR to establish the STTM.

In March 2010, in response to the MCE deciding to implement the STTM at a Brisbane hub, the MCE and the GMLG developed a further set of specific changes to the NGR for the Brisbane hub; these facilitated its implementation in 2011. These provisions were approved by the MCE for inclusion in the NGR amendments to establish the STTM made by the South Australian Minister for Energy in May 2010.

These provisions were intended to allow the Brisbane hub to commence without the need for further rule changes. However, further detailed analysis has identified some minor changes to the NGR are needed.

### **1.3 Dependencies of the Brisbane hub commencement on the Proposed Rule Changes**

The implementation of the STTM at the Brisbane hub requires AEMO and industry to complete significant work prior to the scheduled commencement of the Brisbane hub on 1 December 2011, but the majority of this work must be completed by 1 September 2011. This is required so that a three month Market Trial can commence, during which AEMO and industry will participate in the STTM at the Brisbane hub in an “as real” operational test of market systems and processes; this will involve the market operator and all participants of the STTM at the Brisbane hub.

The MCE’s implementation timeline has required AEMO and industry commence work before rule changes are completed. The work involves AEMO amending the STTM Procedures, the Queensland Retail Market Procedures, the central STTM and Queensland retail gas market systems, and operational processes. In parallel, industry is amending its bilateral contractual arrangements, systems and processes. This work is based on the rule changes as proposed.

Consequently, the implementation timeline has a strong dependency on the AEMC’s determination on the Proposed Rule Changes, and AEMO will request that the AEMC take this dependency into account when considering the proposed changes. Should the AEMC decide to reject or amend the Proposed Rule Changes, such a decision would need to be advised sufficiently early for AEMO and industry to incorporate the amendments into the ongoing implementation project to avoid rework costs and a delay to the commencement of the Brisbane hub.

As a result, AEMO will request the AEMC to consider the proposal under the “fast track” process of the NGR.

### **1.4 Commencement of the Proposed Rule Changes**

These Proposed Rule Changes, which are baselined against version 8 of the NGR, are sought to assist with implementation of the Brisbane hub in the MCE’s and the Queensland Government’s desired timeline with a 1 December 2011 start. The Proposed Rule Changes amending the STTM gas day start time at the Brisbane hub for its initial commencement to 8:00am are of particular importance to this objective, as failure to make these changes would require a substantial delay to the start of the STTM at the Brisbane hub. This delay would be necessary to allow time for AEMO and, in particular, industry to put in place arrangements to comply with the current STTM gas day start of 6:30am. The other proposed changes will allow the Brisbane hub to commence under arrangements as close as possible to those applying at the existing hubs, remove barriers to entry that would otherwise exist, and minimise costs.

The Proposed Rule Changes, with the exception of the changes for Self Contracting Users (refer section A3), should come into effect on the day the STTM commences at the Brisbane hub, which is scheduled for 1 December 2011.

The effective date of the Proposed Rule Change for Self Contracting Users (refer section A3) should be the date on which the amended Rule is Made. This earlier effective date would allow time for parties who wish to register as a Self Contracting User and an STTM User to do so ahead of the commencement date of the Brisbane hub. This period of time is required as it is not proposed to insert transitional provisions for registration of Self Contracting Users in the Queensland retail gas market, whereas registration of STTM Users ahead of the commencement date is provided for in Schedule 1 clause 14 (Registration of participants in a short term trading market through market trial process). It should also be noted that registration of a Self Contracting

User in the Queensland retail gas market ahead of the STTM commencing at the Brisbane hub poses no issue as a party's participation in the Queensland retail gas market alone is catered for.

AEMO also notes that, to avoid the need for a delay to the scheduled market commencement on 1 December 2011, the AEMC's Final Determination on the Proposed Rule Changes is required by 26 October 2011.

### **1.5 "Fast Track" process**

AEMO requests that the AEMC deal with this Rule Change Proposal under the fast track process to achieve the desired start date. AEMO has already conducted extensive consultation as part of its review of measures required to implement a Brisbane hub. This has included consultation with industry stakeholders through the STTM-CF and the Gas Retail Consultative Forum – Queensland (GRCF-Q). AEMO has also implemented a 5-week public consultation process to consider the proposed changes, which included a public information session that was held in Brisbane on 8 March 2011. (Refer to Attachment D – Consultation conducted by AEMO for details.)

While AEMO received no submissions on the Rule Change Proposals, it did receive a submission that related to consequential changes to the STTM Procedures. As a result of the submission, a legal review of the proposed rule and procedure changes that relate to contingency gas was conducted. The findings of the review have led to there being minor differences between this Rule Change Proposal and the version issued for public consultation. (An explanation of the differences, which are in rules 372A(3), 435(2), 436(2) and 439A, can be found in Attachment D – Consultation conducted by AEMO).

## A2. Glossary

### 2.1 Abbreviations

Abbreviation	Explanation
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
GMLG	Gas Market Leaders Group
GRCF-Q	Gas Retail Consultative Forum – Queensland
MCE	Ministerial Council on Energy
NGL	National Gas Law
NGO	The National Gas Objective as stated in section 23 of the NGL, being “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”
NGR	National Gas Rules (Note: proposed changes are based on version 8)
RBP	Roma-Brisbane Pipeline
RMP-Q	Retail Market Procedures – Queensland
STTM	Short Term Trading Market
STTM-CF	Short Term Trading Market Consultative Forum

### 2.2 Terms

Term	Explanation
Deemed STTM distribution system	A facility that is deemed to be an STTM distribution system under rule 372A(3)(a), i.e. where a “facility that is directly connected to an STTM pipeline at a custody transfer point that is part of the Brisbane hub where natural gas is withdrawn for consumption at that facility”. That is, not the APT Allgas or Envestra STTM distribution systems.
Deemed STTM distributor	An STTM User on a deemed STTM distribution system is, under rule under rule 372A(3)(c), deemed to be the STTM distributor of that deemed STTM distribution system.

Term	Explanation
Self contracting user	An end user who withdraws gas from a distribution system for their own use, has a contract with a distributor with an Area Distribution Authority for distribution services and does not sell gas to others. (They do not buy their gas from a retailer.)
Trading Participant	Either an STTM Shipper or an STTM User
Transmission connected STTM User	An end user who participates in the STTM by virtue of rule 372A(3). They are end users who are connected to a deemed STTM distribution system and not to an STTM distribution system covered by an Area Distribution Authority (i.e. APT Allgas and Envestra's distribution systems).

## A3. Rule change proposal 1 – Self contracting user

### 3.1 Summary of the Proposed Rule Changes

Self Contracting Users are end users who are connected to a distribution system and contract with producers and pipeline owners to ship gas to their premise for their own use, thereby bypassing retailers. The NGR currently prevents prospective Self Contracting Users in Queensland from purchasing their own gas and requires them to be supplied by a retailer. These users can ship gas to the custody transfer point to the distribution system but, by virtue of the current Rules for the retail gas market of Queensland, then requires a retailer for shipping gas to their premise.

This is different to the situation in other retail gas markets and STTM hubs. It is highly desirable that, once the STTM is introduced in Brisbane, end users at the Brisbane hub be treated equally to end users in other jurisdictions, and to have the choice to either self contract or buy gas from a retailer. This would allow these end users to have choice and thereby maximise efficiencies in their cost of supply.

The Proposed Rule Changes that would address this problem are minor and non-controversial, involving the addition of the registrable capacity of self contracting user in the Queensland retail gas market. The Proposed Rule Changes would add this registrable capacity to rule 135AB at subrule 2(c). The proposed changes are similar to equivalent provisions for the other retail gas markets.

AEMO requests that the effective date of this Rule change proposal is the date the Rule is Made.

### 3.2 Background to the Proposal

Participation in retail gas markets is regulated by Part 15A of the NGR. Rule 135AB sets out the registrable capacities in which a person can participate in the retail gas markets of participating jurisdictions. Rule 135AB reflects the arrangements that existed in jurisdictional instruments prior to them being subsumed into the NGR.

In Queensland<sup>1</sup>, these were detailed in the Gas Market Retail Rules<sup>2</sup>. The rules established that:

*a person may apply to the GRMO [Gas Retail Market Operator] to be registered in one of the following categories:*

- (i) *Retailer; or*
- (ii) *Distributor [rule 1.2(b)].*

Adoption of this approach differs from the other retail gas markets, which also currently permit a third category of participants known as ‘Self Contracting Users’.

End users may purchase their gas from a retailer or directly from a producer. If they contract with a retailer, the retailer arranges for their gas to be delivered to their premises, which includes arrangements for haulage across distribution systems. Alternatively, an end user may purchase their own gas and arrange for it to be supplied through the transmission and distribution systems to their premises. These end users are known as Self Contracting Users.

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<sup>1</sup> The retail gas market of Queensland also covers an area in New South Wales that is served by the APT Allgas Distribution Network, South Coast Region, in Tweed Heads.

<sup>2</sup> Previously Annexure A to the Gas Industry Code.

The NGR:

- Allows Self Contracting Users to participate in an STTM as an STTM User at a hub [rule 135ABA(1)(b)(i)];
- Requires a person who can participate as an STTM User to register in that capacity [rule 135ABA(2)]; and
- Does not provide for Self Contracting Users to register in the retail gas market in Queensland (as there is no appropriate registrable capacity) [rule 135AB(2)].

### 3.3 Statement of Issues

Rule 135ABA(b)(i) is intended to allow Self Contracting Users to participate in the STTM, but requires applicants to enter into agreements with distributors to be eligible for registration. Unless they are permitted to register in the retail market, applicants are unable to enter into the necessary agreements with distributors and would be prevented from participating in the STTM.

The effect of rule 135AB(2) is that Self Contracting Users cannot participate in the STTM, despite this being provided for in rule 135ABA(1)(b)(i).

An end user entering into the appropriate arrangements with an STTM distributor would not be able to participate effectively in the STTM unless they also participate in the retail gas market. The reason is that AEMO relies on allocations of withdrawals to retailers and Self Contracting Users that are prepared for the retail gas market under the Retail Market Procedures – Queensland (RMP-Q) to also settle the STTM. Without this information, AEMO cannot determine payments in the STTM.

### 3.4 How the Proposed Rule Changes resolve the issues

The Proposed Rule Changes would address the issues outlined above, as follows:

- The Proposed Rule Change adds the registrable capacity of Self Contracting User for the retail gas market of Queensland. This would allow qualifying users, if they chose not to use a retailer, to ship gas to their own premise and participate directly in Queensland's retail gas market and, where relevant, the STTM at the Brisbane hub.
- The Proposed Rule Changes are necessary to ensure that end users in Queensland are treated the same as end users in other STTM jurisdictions<sup>3</sup>. Without the Proposed Rule Changes, end users will be prevented from participating in the STTM at the Brisbane hub.

### 3.5 How the Proposed Rule Changes contribute to the National Gas Objective

Before the AEMC can make 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 National Gas Objective (NGO).

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<sup>3</sup> Self contracting users are able to participate in the retail gas markets of New South Wales and the Australian Capital Territory [rule 135AB(1)] and South Australia [rule 135AB(3)]

The Proposed Rule Changes would contribute to the NGO for the following reasons:

- The Proposed Rule Changes would enhance national consistency, aligning end user participation in Queensland's retail gas market with those of other jurisdictions. This would enhance the efficient operation of retail gas markets through consistent application of participation rights.
- In addition, the Proposed Rule Changes would remove a barrier to entry to the STTM for Self Contracting Users. This would facilitate competition in both retail and wholesale gas markets by allowing sophisticated consumers, typically large end users, to choose to enter into direct relationships with distributors and participate in the STTM, or to contract with retailers for their gas. The increased competition would lead to reduced costs and improved market efficiencies in the longer term that would otherwise be lost. The Proposed Rule Changes would allow large end users to better manage costs associated with the purchase and delivery of their gas. Failure to make the Proposed Rule Changes would result in an unjustifiable barrier to entry that is likely to result in costs that are higher than necessary being incurred by, in particular, large end users that are forced to purchase gas from a retailer.

Consequently, the Proposed Rule Changes support the NGO by promoting efficient operation and use of gas services, and are in the long term interest of consumers with regard to the price paid for gas.

No MCE statements of policy principles apply to this subject matter. The form of regulation factors and revenue and pricing principles are not relevant to this proposal.

### **3.6 Expected Benefits and Costs of the Proposed Rule Changes**

The persons most likely to be directly affected by the Proposed Rule Changes would be large end users connected to the APT Allgas or Envestra distribution systems in Brisbane, as well as the owners and operators of those gas distribution systems. The Proposed Rule Changes would also affect users of other distribution pipelines in Queensland and the operators of those pipelines. Retailers that participate in the retail gas market of Queensland will also be interested, but would be directly affected only if an end user registers as a self contracting user and ceases to buy gas from the retailer.

The Proposed Rule Changes would allow, in particular, large end consumers to have wider options for achieving the most economic supply arrangement. These options should include self contracting or purchasing gas from retailers, thereby allowing the end user to participate in Queensland's retail gas market as a self contracting user and the STTM at the Brisbane hub.

The cost of making the proposed change to the registrable capacities of the retail gas market of Queensland is not material. AEMO anticipates incurring a cost of less than \$10,000 to establish registration procedures, modify the RMP-Q and modify IT systems to accommodate the change, if the changes are incorporated as part of the work being undertaken to implement the Brisbane hub. The cost would be much higher if the changes are implemented on their own at a later time. These implementation costs are recovered by AEMO from Trading Participants via its market fees, which are determined by it annually under the processes prescribed in the NGR.

This Proposed Rule Change does not force end users to directly participate in a market as a Self Contracting User. Rather, it allows them to choose whether to directly participate in the retailer gas market of Queensland and the STTM at the Brisbane hub or to purchase their gas from a retailer.

In summary, the key benefits of this Rule Change Proposal are the removals of barriers to entry, maximisation of consumer choice, and reduced costs. Equally, there is minimal cost associated with implementing this Rule Change Proposal.

### **3.7 Proposed Rule Changes**

The intent of the Proposed Rule Changes is to widen the options for large end users to those available to users in other retail gas markets and STTM hubs, including allowing a user to participate in the retail gas market of Queensland and the STTM and ship gas to their own premise.

The Proposed Rule Changes seek to add the registrable capacity of self contracting user to rule 135AB at subrule 2(c). The Proposed Rule Changes are modelled on similar provisions for the other retail gas markets.

The Proposed Rule Changes are provided at Attachment B.

As noted in Section 1.4 – Commencement of the Proposed Rule Changes above, AEMO requests that these changes become effective on the date the Rule is Made.

## A4. Rule change proposal 2 – Gas Day

### 4.1 Summary of the Proposal

This Proposed Rule Change would allow the STTM to initially commence at the Brisbane hub with an 8:00am start of gas day, with corresponding delays in the market's operational timings during the gas day at that hub. The proposed operational timings align with the current bilateral contractual arrangements and market arrangements that apply across the Queensland gas sector, including the retail gas market. This would avoid the need for wide scale amendments to the bilateral contractual arrangements and metering infrastructure for implementation of the STTM at the Brisbane hub, thereby allowing the hub to commence by December 2011.

It is also proposed that, within five years of the commencement of the Brisbane hub, the AEMC conduct a comprehensive review of gas day operational timings more broadly.

The key objectives of this proposal are the minimisation of risks and costs associated with implementation of the STTM at the Brisbane hub by December 2011, while recognising the need for a more thorough and comprehensive review to resolve gas day timings across the gas sector and define an approach for the future.

The Proposed Rules Changes are relatively minor and enjoyed broad support from industry stakeholders at the STTM-CF and GRCF-Q. The proposed changes involve:

- Defining an 8:00am gas day start time at the Brisbane hub, while retaining the standard 6:30am gas start time at the Sydney and Adelaide hubs;
- Amending the definition of the relevant operational timings throughout the gas day from specific times to a fixed offset from the beginning of the gas day that equates to the current offset; and
- Establishing the scope and timing of the review of the time at which the gas day begins at STTM hubs.

### 4.2 Background to the Proposal

The 'gas day' is the period of 24-hours over which gas flows are measured for contractual and market purposes. The gas day start time determines the timeline over a gas day for operational, commercial and market activities. Most transactions, in both regulated and contract based gas markets, are conducted by reference to a defined gas day.

The gas day can begin at different times; for example, it begins at 6:00am EST in Victoria (for the Declared Wholesale Gas Market); 6:30am EST in New South Wales and South Australia (for the Adelaide and Sydney hubs); 8:00am WST in Western Australia and it currently begins at 8:00am EST for Brisbane and the Roma-Brisbane Pipeline (RBP). It is also understood that the gas day in various production basins, which are not regulated markets, is different from these times.

When the MCE and the GMLG developed the national gas market development principles, they sought to ultimately achieve consistency of operational timings across the eastern seaboard. However, they also recognised that achieving this goal was dependent on practical requirements, and this is reflected in the MCE's principles for national gas market development. These principles are aligned with those embodied by the NGO.

Accordingly, when the initial STTM rules were prepared for the Sydney and Adelaide hubs, 6:30am AEST was chosen as the start of the gas day as it closely aligned with the existing contractual and retail market arrangements. As a result, the gas day for the STTM at each hub is defined in the NGR as “a period of 24 consecutive hours beginning at 6:30am on each day” [rule 364].

### 4.3 Statement of Issues

#### 4.3.1 Introduction

Most of the gas supply arrangements and metering infrastructure currently in operation in Queensland operate on a gas day that begins at 8:00am. Consultation with relevant stakeholders has revealed that substantial changes to operational and contractual arrangements would be needed to implement the Brisbane hub with the standard STTM gas day that begins at 6:30am. It would not be possible to complete these changes in time for a 1 September 2011 start of the Market Trial<sup>4</sup>. Further, the change would impact on parties beyond the areas covered by the STTM, and thus require more time for these impacts to be resolved satisfactorily.

Therefore, it would be infeasible to implement the STTM at the Brisbane hub by December 2011 unless the gas day begins at 8:00am (to match the capability of the metering infrastructure and reflect the current bilateral contractual arrangements). It is proposed that the NGR be amended to allow the time the gas day for the Brisbane hub initially starts to be 8:00am, and that a broader review be undertaken of gas days to determine an appropriate approach to consistency.

#### 4.3.2 Change to ‘gas day’ definition

Rule 364 defines “gas day” as “a period of 24 consecutive hours beginning at 6:30am on each day”. However, currently, the start of the gas day in Brisbane is determined by the RBP, which operates with a gas day that begins at 8:00am. Production within Queensland (which currently supplies most of Queensland’s gas needs) is aligned with the 8:00am gas day start. This includes assets and markets that extend beyond the STTM, namely transmission pipelines (including the RBP), production centres including coal seam gas, gas distribution networks, gas transportation agreements, Access Arrangements and the Queensland retail gas market.

The existing metering infrastructure would need to be upgraded or replaced, as it can only measure daily or hourly flows that start on the hour, not the half hour. The essential upgrades to support a gas day that begins at 6:30am could not be completed in time for the STTM at the Brisbane hub to commence by December 2011.

Additionally, the pipeline operator (APA Group) has confirmed that it is not technically feasible to split operation of the transmission pipeline into two separate gas days, with one applying within the area of the Brisbane hub and the other applying to rest of the asset. Therefore, the RBP’s gas day for the Brisbane hub must be the same along the entire pipeline<sup>5</sup>. Therefore, without this change, major users and producers connected to the RBP outside the Brisbane hub would need to amend their bilateral contractual arrangements as part of the RBP implementing a gas day that begins at 6:30am.

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<sup>4</sup> Such changes would be needed to enhance metering infrastructure and complete the operational market systems of participants and AEMO to permit the Market Trial to operate.

<sup>5</sup> This is the case at the existing hubs at Adelaide and Sydney, where the pipelines and distribution systems operate under the same gas day as the STTM

Therefore, it is proposed that the NGR be amended to allow the gas day start time for the Brisbane hub be 8:00am AEST for its initial commencement in December 2011.

#### **4.3.3 Review of 'gas day' definition to be conducted**

It is impractical to adopt a common gas day definition prior to the commencement of the Brisbane hub on 1 December 2011. In light of this and the desired longer term objective of achieving closer alignment of operational timings through the gas day and across STTM hubs, related gas markets, and more broadly in the gas sector, many stakeholders consider there is merit in reviewing the gas day operating times more comprehensively.

AGL Energy Limited, whilst supporting the Proposed Rule Change at the STTM-CF, also noted that allowing a gas day that begins at 8:00am would "represent a lost opportunity in terms of moving towards a national (or at least an eastern seaboard) gas market". Similarly, the Australian Petroleum Production & Exploration Association Limited (APPEA) indicated that its "general view is ... that Gas Day timing [for the Brisbane hub] should align with that already in place for the Sydney and Adelaide hubs".

As a result of these views, AEMO and industry have proposed that, following the commencement of the Brisbane hub, a comprehensive review of gas day operational timings should be undertaken. This review should consider the benefits and detriments of common gas day operational timings.

As this review will have to consider issues beyond the operation of the regulated markets, such as the STTM and retail gas markets, industry has proposed that this review be conducted by the AEMC. Industry also proposes that this review should be concluded no later than five years after the commencement of the Brisbane hub. The Proposed Rule Changes would give effect to these aims.

#### **4.3.4 Consequential changes to allow different times at which the gas day begins**

On the basis that the definition of gas day is changed so it begins at 8:00am for the Brisbane hub, a number of consequential changes have been proposed through Part 20 of the NGR.

The consequential changes are limited to Rules that currently provide that transactions and activities (such as the issuing of notices) must occur at or by specific times during a gas day. These Rules were originally drafted on the basis that the gas day only begins at 6:30am. It is proposed that they be amended to reflect the proposed change to the start of gas day.

AEMO also proposes that the specific times of day currently in the NGR be replaced with an off-set from the beginning of the gas day. This would ensure a consistent approach to times for events in the STTM, with all relevant times being off-set by a fixed period from the beginning of the gas day.

For example, with a gas day beginning at 6:30am, rule 417(1) requires the ex ante market schedule to be issued by 1:00pm on each gas day. Under this proposal, rule 417(1) would change to specify that it must be issued "no later than 6½ hours after the beginning of each gas day". This would not affect current market operational times in the Sydney and Adelaide hubs, as 6½ hours after a gas day start of 6:30am is the current requirement of 1:00pm. However, if the gas day at a hub begins at 8:00am, this approach means the ex ante market schedule must be issued by 2:30pm on each gas day, which reflects the later beginning of the gas day and time required for data publication, receipt of bids and offers, and scheduling.

When developing this Rule Change Proposal, AEMO considered whether to specify separate specific times of day for each hub in affected Rules, but concluded that this approach would introduce unnecessary complexity without providing additional clarity.

Each Rule with a specific time has been reviewed and, generally, those that are not proposed to change are those that refer to business day activities rather than gas day activities. Activities that should not change with change in gas day start times are activities revolving around business hours, such as:

- activities related to settlement, especially payments and margin calls;
- submission of contingency gas offers and contingency gas bids and the publication of contingency gas data, which occurs well after the end of the relevant gas day; and
- timeframes for the submission of market schedule variations.

AEMO has not, therefore, proposed changes to these Rules.

#### **4.4 How the Proposed Rule Changes resolve the issues**

The Proposed Rules Changes would address the issues as follows:

- Changing the definition of gas day to allow the time at which the gas day begins to be 8:00am for the Brisbane hub and 6:30am for all other hubs would allow the Brisbane hub to operate with a gas day that begins at a different time to that of the existing Adelaide and Sydney hubs. This would allow implementation of the Brisbane hub to commence on time without substantial, non-critical costs being incurred and unnecessary implementation risks being introduced.
- Requiring a review of the time at which the gas day begins at all hubs ensures that the long term benefits of alignment across hubs, transmission pipelines, production centres and jurisdictions would be appropriately assessed and valued, with clarification provided on the potential future alignment timing.
- Changing the manner in which times that relate to gas day activities are expressed by using an off-set from the time at which the gas day begins would accommodate different timings within the existing structure of the NGR, improving clarity and reducing complexity of the NGR.

#### **4.5 How the Proposed Rule Changes contribute to the National Gas Objective**

The AEMC must assess whether the Proposed Rule Changes will or are likely to contribute to the NGO.

The Proposed Rule Changes would contribute to the NGO for the following reasons:

- The Proposed Rule Changes would minimise impacts on the wider Queensland gas sector for the implementation of the STTM. Specifically, they would minimise costs and the impacts associated with changes to metering infrastructure and to bilateral contractual arrangements across Queensland for implementation of the STTM at the Brisbane hub.
- The Proposed Rule Changes would avoid the need for additional costs to be incurred due to the commencement of the Brisbane hub being delayed to implement a 6:30 gas day start time.

- The direct costs and the value of unrealised benefits would be expected to be passed through to consumers, via contractual negotiations or access arrangement decisions. Therefore, the Proposed Rule Changes would be consistent with the long term interest of consumers with regard to the price paid for gas.
- The Proposed Rule Changes include a review of the time at which a gas day begins. The findings of the proposed review would allow any decision to change the time at which a gas day begins at a hub to be informed as to the impact the decision may have on the efficient operation and use of gas services and the prices paid by consumers. Such an informed and considered decision making process would allow compliance with the NGO to be assured.

No MCE statements of policy principles apply to this subject matter. The form of regulation factors and revenue and pricing principles are not relevant to this proposal.

#### 4.6 Expected Benefits and Costs of the Proposed Rule Changes

A key objective of AEMO's implementation program is to commence operation of the STTM at the Brisbane hub in accordance with the timings provided by the MCE and the Queensland Government. Consequently, a key benefit of the Proposed Rule Changes would be the minimisation of disruption and costs to the Queensland gas sector when the STTM commences at the Brisbane hub on 1 December 2011.

Benefits anticipated from the Proposed Rule Changes are:

- Avoidance of the immediate need for any wide scale upgrading and/or replacement of the metering infrastructure<sup>6</sup> on the RBP pipeline at and upstream of the Brisbane hub and in gas distribution networks (including those of APA Allgas and Envestra). This effort would require significant investment by industry<sup>7</sup> that, in one form or another, would be expected to be passed through to consumers.
- Mitigation of risk to industry from late completion of metering infrastructure works, which would be critical for commencement of the Brisbane hub, and could result in inefficiencies, higher costs, non-compliance by some parties, and disruption to interactions across the gas sector in Queensland. Reduction of impacts on the current contractual and operational gas supply and haulage arrangements on both the RBP and distribution systems at the Brisbane hub to those that are can be reasonably achieved by 1 December 2011.

There are large end users and producers connected to the RBP outside the Brisbane hub (and the STTM) that, if the gas day along the length of the RBP changes to 6:30am, would also need to:

- upgrade their metering infrastructure so it can record flows for a 24-hour period that starts at 6:30am; and
- amend their bilateral contractual arrangements (such as to change the timing that nominations are to be submitted to the transmission pipeline operator).

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<sup>6</sup> Includes pipeline operators' flow computers and SCADA systems as well as distributors' custody transfer meters and interval meters

<sup>7</sup> Estimated at, potentially, more than \$5 million

These changes would mean that costs would be incurred by parties who would not otherwise be impacted by the STTM at the Brisbane hub and who are not covered by the Rules that govern the STTM (i.e. Part 20 of the NGR). Consequently, retaining a gas day that begins at 8:00am avoids potentially difficult contract negotiations and allows all parties to focus on being ready for the commencement of the STTM at the Brisbane hub.

- Limitation of the direct impacts of the STTM at the Brisbane hub to those parties who would be directly participating in the STTM, being those who transport gas to or from the hub (transmission pipeline operator and gas network operators) or deliver gas to or withdraw gas from the hub (i.e. shippers, retailers and Self Contracting Users). Retaining the status quo (i.e. gas day begins at 8:00am) means those parties who only operate outside the Brisbane hub will not be directly affected by the STTM.
- Reduction in the work required to amend the retail gas market of Queensland for implementation of the STTM; noting that other changes are required to provide data and satisfy the requirements of the STTM at the Brisbane hub. Specifically, a gas day that begins at 8:00am avoids the need to change the retail gas market IT systems of AEMO, Queensland retailers and distribution businesses, or amend distribution access agreements.
- Reduction in risk to the implementation schedule for the Brisbane hub. This lowers the risk of unplanned delay, which would result in additional costs being incurred and other adverse outcomes becoming evident.

It has been suggested that a benefit being foregone is the avoidance of opportunities to arbitrage between hubs. However, during AEMO's consultation with the STTM-CF, no party was able to identify how a different time that the gas day begins at the Brisbane hub increases the potential for new arbitrage opportunities in the energy sector beyond those that exist today without the Brisbane hub. It should be noted that because of their geographic separation there is limited potential for trade between the STTM hubs. The different times that a gas day begins is not anticipated to affect the operation of related energy markets.

AEMO has been advised by distribution network and transmission pipeline operators and large consumers at the Brisbane hub that the Proposed Rule Changes would deliver substantial benefit when compared with changing to a gas day that begins at 6:30am. The proposed Rules would defer the need for substantial investment in the metering infrastructure and IT systems of the transmission pipeline and distribution systems.

The Proposed Rule Changes would minimise the risks to and costs for implementation and preparation for commencing the STTM at the Brisbane hub by December 2011, while addressing the need to comprehensively review gas day timings across the eastern seaboard to resolve the approach for all STTM hubs.

#### **4.7 Proposed Rule Changes**

The intent of the Proposed Rule Changes is to enable the gas day for the Brisbane hub to be 8:00am and 6:30am for all other STTM hubs.

The Proposed Rule Changes seek to:

- Amend the definition of gas day in rule 364 so it can begin at 8:00 for the Brisbane hub and 6:30am for all other hubs. As a result of industry feedback, at this stage, AEMO is not proposing to deal with gas day timings for future Queensland hubs at this stage;
- Establish the scope and timing of a review of the time at which the gas day begins at hubs in rule 489; and
- Make consequential changes where a specific time is in a Rule and that time is intended to be relative to the beginning of the gas day, by specifying times as an off-set from the time the gas day begins at a hub (in hours and half hours).

The Proposed Rule Changes are provided at Attachment B.

## A5. Rule change proposal 3 – Withdrawals from a hub

### 5.1 Summary of the proposal

The STTM assumes that “all trades in the STTM market occur at hubs”, and the market settles at the hub, on a single market price. This is important for maximising competition and thus the efficiency of the market.

The hubs are defined as groups of custody transfer points that are connected to STTM distribution systems. However, the current drafting of the NGR uses the defined terms “hub” and “STTM distribution system” interchangeably.

As the Adelaide and Sydney hubs have only one STTM distribution system, this has, to date, had no impact on bids to withdraw gas from a hub and little attention was paid to whether transactions were referred to the hub or to an STTM distribution system. However, as the Brisbane hub will have more than one STTM distribution system, reference by the NGR to an STTM distribution system instead of the hub can have an impact on the operation of the STTM at Brisbane.

The changes proposed to the NGR to correct this are minor and non-controversial. They would modify the arrangements for the registration of trading rights to accommodate multiple STTM distribution systems. This would result in the calculation of STTM distribution system allocations for each STTM User for the hub, rather than by STTM distribution system.

Note that this change would address the objective sought by many participants of providing what is also termed as a “single trading right”.

### 5.2 Statement of Issues

#### 5.2.1 Introduction

The STTM assumes that trading, and therefore competition, is at the hub, an important concept for maximising long term market efficiency.

Currently, the NGR is written on the basis that trading rights relate to one registered distribution service [rule 380(1)] that belongs to the contract holder of the registered distribution service [rule 384]. This is because they assume that there is only one STTM distribution system at a hub.

Further, the NGR also requires that withdrawals from a hub are to be allocated to each registered distribution service [rule 422(2)], which means that each STTM User would receive a separate allocation for each STTM distribution system.

The NGR also requires ex ante bids and price taker bids to be submitted per registered trading right [rules 408 and 409]. This has not been an issue at the Adelaide and Sydney hubs as there is only one STTM distribution system at those hubs. Therefore, there has been no question that each STTM User should have only one registered trading right and submit one set of bids. However, unlike the Adelaide and Sydney hubs, the Brisbane hub is expected to commence with five STTM distribution systems.

This means that STTM Users would have to submit a set of bids for each STTM distribution system. Under the current arrangements, AEMO would still be able to schedule the hub as a

whole and produce a single price, but would do this by adding up the bids for each STTM distribution system to produce a schedule.

Consequently, clarification of these provisions and the concept that withdrawals are from a hub is sought in the NGR provisions.

It is proposed that the NGR be amended in the following areas to implement the intended STTM design principle that trading occurs at a hub, and therefore withdrawals are from the hub:

- STTM distribution system allocations; and
- Registration and deregistration of trading rights.

The extent of the Proposed Rule Changes is limited by the interpretation provision in item 11 of Schedule 2 of the NGL, which allows provisions to be read as referring to multiple STTM distribution systems<sup>8</sup>. However, as interpretation that singular also means plural only extends to rules where there is not a contrary intention, there are a small number of changes proposed to rules where it can be argued there is a contrary intention.

It should be noted that the Proposed Rule Changes are applicable to any hub that has more than one STTM distribution system. The changes would also be required for the Adelaide and Sydney hubs if their STTM distribution systems were segmented or another was added to the definition of the hub. Consequently, while the Proposed Rule Changes are driven by the requirements of the Brisbane hub, they would apply at all hubs.

### 5.2.2 Registration of trading rights

The rules dealing with the registration of trading rights do not currently accommodate a hub with multiple distribution systems. To accommodate the Brisbane hub, it is proposed that the NGR be amended to clarify that:

- Trading rights related to STTM distribution systems are to specify a capacity limit. The capacity limit is to be that defined in their registered distribution services [rules 381(1)(h) and 383(1)(a)].
- Capacity limits of registered distribution services are to be aggregated by AEMO when calculating the capacity limit of the STTM User's trading right for withdrawals from the hub.
- Updates to the capacity limit of each registered distribution service are to be provided to enable AEMO to update the capacity limit of the STTM User's trading right for withdrawals from the hub.

These changes would accommodate hubs with multiple STTM distribution systems, by ensuring that trading rights contain the information necessary to operate the market and ensuring that trading rights are amended if the information related to an individual STTM distribution system changes.

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<sup>8</sup> In this Law-  
(a) words in the singular include the plural; and  
(b) words in the plural include the singular.

### 5.2.3 STTM distribution system allocations

The NGR requires that AEMO “determine for each hub ... the STTM distribution system allocation for **each registered distribution service** [emphasis added] relating to that STTM distribution system” [rule 422(1)]. This requirement does not appropriately recognise that withdrawals are from a hub, albeit they are via STTM distribution systems. This arrangement would introduce inefficiencies for STTM Users, as they would have to submit multiple sets of bids and would receive multiple STTM distribution system allocations.

Therefore, it is proposed that the NGR be amended to allow STTM distribution system allocations to be calculated for the hub rather than individual STTM distribution systems.

### 5.3 How the Proposed Rule Changes resolve the issues

The Proposed Rule Changes would address the issues by removing references to STTM storage facility and STTM distribution system in certain STTM distribution allocation rules (i.e. the definition at rule 364 and the head of power at rule 422) and certain trading right registration rules [rules 386(b), 390(2)(a) and 395(5)(b)].

The Proposed Rule Changes would recognise that withdrawals, for trading and settlement purposes, are from a hub by STTM Users, referring to increases or decreases of “the quantity of natural gas it withdraws from the hub”.

The effect of the Proposed Rule Changes would address the issues as all withdrawals from a hub would be treated equally and STTM Users’ registered trading rights will reflect the capacity limit of all of their registered distribution services.

### 5.4 How the Proposed Rule Changes contribute to the National Gas Objective

The AEMC must assess whether the Proposed Rule Changes will or are likely to contribute to the NGO, as defined in Section 23 of the NGL.

The Proposed Rule Changes would contribute to the NGO for the following reasons:

- The Proposed Rule Changes would facilitate the efficient operation of the STTM by allowing STTM Users to submit a single set of bids for each hub, reducing costs and inefficiencies which could otherwise be incurred.
- The efficient operation of gas services would be enhanced by the Proposed Rule Changes as they would clarify that withdrawals by STTM Users are from a hub.
- The Proposed Rule Changes would increase market efficiency by reinforcing the principles for achieving competition in a market, by maximising the opportunity for trading to occur and prices to be discovered, thereby facilitating competition and longer term efficiency.
- Further, a consistent approach to the implementation of the underlying design would enhance the efficiency of the STTM as it provides consistent regulatory arrangements to support trading at all hubs.

No MCE statements of policy principles apply to this subject matter. The form of regulation factors and revenue and pricing principles are not relevant to this proposal.

## 5.5 Expected Benefits and Costs of the Proposed Rule Changes

The persons that would be directly affected by the Proposed Rule Changes are STTM Users and STTM pipeline operators where their STTM pipeline is connected to multiple STTM distribution systems.

The benefits anticipated from the Proposed Rule Changes are:

- Support for market efficiency and competition at the Brisbane hub by recognising that trades are at the hub level.
- Withdrawals by STTM Users and the processes that precede and follow would be aligned. Distribution services would be registered for each STTM distribution system, while the trading and settlement activities would use aggregated data for the hub.
- Operational efficiencies would be available to STTM Users as they would be able to implement a common interface when interacting with the STTM at any hub.

The cost to implement the changes to the IT systems and process of AEMO and the STTM pipeline operator at the Brisbane hub are not material when included in the implementation for the Brisbane hub. Costs of implementation after the Brisbane hub has been implemented would be much higher. No net cost has been identified by STTM Users.

## 5.6 Proposed Rule Changes

It is proposed that the NGR be amended so that:

- The definition of the STTM distribution system allocation [rule 364] reflects that the allocation is for the STTM User, i.e. at a hub;
- The Rule that governs preparation of the STTM distribution system allocation by AEMO [rule 422] reflects that the allocation is for the STTM User and is to be prepared in accordance with the STTM Procedures. These Procedures are to be amended by AEMO to detail the technical procedures to be implemented by AEMO and STTM pipeline operators for deemed STTM distribution systems;
- The Rules that govern registration of trading rights provide that:
  - the capacity limit is an element of the detail of registered trading rights of STTM Users and that the STTM User has an obligation to ensure it is maintained [rules 386(b)(iii) and 390(2)(a)]; and
  - where a distribution service is terminated, that the STTM User's trading right is appropriately updated by being deregistered or its capacity limit is modified [rule 395(5)(b)].

The Proposed Rule Changes are provided at Attachment B.

## A6. Rule change proposal 4 – Contingency Gas

### 6.1 Summary of the Proposal

Contingency Gas will be an important feature of the STTM for the security of supply at Brisbane. However, the current NGR would prevent Transmission connected STTM Users from participating in Contingency Gas at the Brisbane hub, due to a drafting oversight in the current NGR. The STTM Users involved are potentially key sources of Contingency Gas for Brisbane. Thus, their exclusion could have significant implications for security of supply and competition in contingency gas at the Brisbane hub. The exclusion could increase risks and costs for all Brisbane during a contingency gas event.

The Proposed Rule Changes to address this are relatively minor and non-controversial. They would allow the Transmission connected STTM Users to participate in Contingency Gas (at their choice) on equal grounds with other STTM Users at the Brisbane hub.

The Proposed Rule Changes involve replacing the broad exclusion of the application of rule 372A(3) to Division 8 (Contingency Gas) with specific exclusion provisions in rule 439A. These changes would allow Transmission connected STTM Users to submit contingency gas offers and bids and be treated the same as other STTM Users. The proposed changes also involve a minor consequential change to rule 442(5) to require STTM facility operators to provide information necessary for the operation of the contingency gas mechanism for deemed STTM distribution systems.

### 6.2 Background to the Proposal

#### 6.2.1 Overview of Contingency Gas

The STTM is a day-ahead market for the trading of gas at a hub. After the gas day begins, the STTM has no market process that balances the supply or withdrawal of gas at a hub<sup>9</sup>.

This means that where an imbalance between supply and withdrawals at a hub is sufficiently wide so as to jeopardise the security of supply, a special mechanism that cuts in before involuntary curtailment is required. In the STTM, this mechanism is known as contingency gas and is designed to help balance supply and withdrawals that can't be resolved under the normal ex-ante market processes.

When the contingency gas mechanism is initiated, time is of the essence. A contingency gas trigger event will generally occur after the ex ante market schedule for the relevant gas day has been issued by AEMO. Up until contingency gas is scheduled, the STTM's normal ex ante market processes deal with imbalances and may include setting an ex ante market price (clearing price) at the maximum market price (of \$400 per GJ). Contingency gas will be triggered if supply to a hub is insufficient to cover demand at that hub.

The contingency gas mechanism provides Trading Participants with an opportunity to help rebalance a hub during the gas day and thereby avoid, or at least minimise, the need to

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<sup>9</sup> Market Operator Service (MOS) is a mechanism for balancing pipeline deviations (being the difference between the final nominations accepted by an STTM pipeline operator and the quantity of natural gas supplied to a hub) on a gas day. Allocations to MOS are determined after the end of the gas day.

involuntarily curtail end users (i.e. stop their supply of gas). It is a market based mechanism that values alternative sources of supply, including voluntary curtailment, such that involuntarily curtailment may not be required. When there is an insufficient quantity of contingency gas available or it is not available quickly enough or at the required location, involuntary curtailment will still be initiated by the relevant pipeline operators.

It is anticipated that the main sources of contingency gas will be large end users, whether they are connected to the STTM pipeline or within the APT Allgas and Envestra distribution systems. This is because large end users can curtail (or increase) their consumption in response to price signals and therefore can be expected to allow their related STTM User to offer (or bid) this flexibility as contingency gas.

The need for contingency gas may be triggered for several reasons by a Trading Participant, STTM facility operator or STTM distributor [see rule 440(1)]. The triggers include:

- there is, or is forecast to be, pressure conditions under or over acceptable operating levels (due to an imbalance between supply and withdrawals at a hub or custody transfer point);
- an STTM facility is not expected to be able to meet the expected daily delivery capacity to the hub;
- an event upstream of an STTM distribution system could reasonably be expected to adversely affect supply of gas to that STTM distribution system; and
- an ex ante market schedule or provisional schedule issued by AEMO indicates that the quantity of withdrawals at which STTM Users are prepared to pay the market price cap (\$400/GJ), as indicated in price taker bids, will not be fully scheduled due to inadequate supply of gas to the hub.

### 6.2.2 Contingency Gas Offers and Contingency Gas Bids

STTM Shippers and STTM Users participate in the contingency gas mechanism by submitting contingency gas offers [rule 435] and contingency gas bids [rule 436] to AEMO. By doing so, they agree to be called to increase or decrease their gas flows into an STTM distribution system relative to the quantities in their ex ante market schedule. As a result of the exclusion in rule 372A(3) Transmission connected STTM Users (being users that qualify as an STTM User under rule 135ABA(1)(b)(ii) and, in this proposal, are referred to as “**Transmission connected STTM Users**” to distinguish them from the traditional STTM Users) cannot participate in contingency gas as they are not considered to be connected to an STTM distribution system for the purpose of contingency gas.

### 6.2.3 Transmission connected STTM Users

Most persons with a contract to withdraw gas from a distribution pipeline at an STTM hub can be an STTM User [rule 135ABA(1)(b)(i)] and participate in Contingency Gas.

The NGR also allows Transmission connected STTM Users to participate in the STTM as STTM Users. The Brisbane hub has a number of large gas users that will qualify as a Transmission connected STTM Users.

The facilities, roles and contractual relationships (for Part 20 of the NGR) related to a Transmission connected STTM User are discussed in rule 372A(3):

- A facility that is directly connected to an STTM pipeline is deemed to be an STTM distribution system. [rule 372A(3)(a)]
- An agreement between an STTM pipeline operator and a Transmission connected STTM User for the supply and withdrawal of gas from the transmission pipeline is deemed to be a distribution service under a distribution contract. [rule 372A(3)(b)]
- The STTM pipeline operator is deemed to be the contract issuer and the Transmission connected STTM User is deemed to be the contract holder of the deemed distribution service. [rule 372A(3)(b)]
- The Transmission connected STTM User is deemed to be the STTM distributor for the facility. [rule 372A(3)(c)]

However, the facilities, roles and contractual relationships discussed in rule 372A(3) are specifically excluded from applying to Part 20, Division 8 (Contingency Gas).

#### **6.2.4 Role of deemed STTM distributors**

Under the contingency gas mechanism, an STTM distributor advises AEMO of their operational requirements and the quantity and timing of contingency gas it expects will be required to meet those operational requirements [rules 442(3)(a) and (b)]. The operational requirements and contingency gas requirements for a facility that is deemed to be an STTM distribution system [under rule 372A(3)(a)] should be provided to AEMO by the relevant STTM pipeline operator. This is more appropriate than the Trading Participant providing the information as they are not financially exposed to the STTM (unlike Trading Participants) and are therefore regarded as being independent.

The deemed STTM distributors, who are STTM Users on a deemed STTM distribution system [under rule under rule 372A(3)(c)] should not attend the contingency gas assessment conference, called by AEMO to assess the need to call contingency gas. To assist AEMO to make this determination, infrastructure operators, including STTM distributors, are required to attend the conference to advise on the operation of their infrastructure. It is likely that information that is commercially sensitive and not otherwise available to Trading Participants (i.e. STTM Shippers and STTM Users) will be discussed. Consequently, in order to protect the integrity of the STTM, it is appropriate that an STTM User that is a deemed STTM distributor should not have the right to participate in a contingency gas assessment conference as an STTM distributor. Allowing them to participate would give them access to commercially sensitive information and they are unlikely to be able to assist AEMO to determine if contingency gas is required.

There is no requirement for STTM Users or Transmission connected STTM Users to participate in a contingency gas assessment conference (unless they are invited to attend by AEMO) [under rule 442(1)(b)].

#### **6.2.5 Role of Transmission connected STTM Users**

When Part 20 of the NGR was made, it was considered appropriate to exclude the facilities, roles and contractual relationships discussed in rule 372A(3) from applying to Division 8. The effect is the exclusion is that Transmission connected STTM Users:

- May not submit contingency gas offers and contingency gas bids in relation to a facility that is deemed to be an STTM distribution system [under rule 372A(3)(a)];

- May not advise AEMO of a contingency gas trigger event in their deemed role of STTM distributor [rule 440(2)] (though they can advise AEMO in their role of STTM User); and
- Do not have the right to participate in contingency gas assessment conferences [rule 442(1)(a)] in their deemed role of STTM distributor [rule 440(2)]. (STTM facility operators and STTM distributors whose role is not deemed under rule 372A(3)(c) have such a right.)

The latter two of these restrictions are appropriate as they would otherwise deliver Transmission connected STTM Users with rights that are beyond those of other STTM Users.

## 6.3 Statement of Issues

### 6.3.1 Discussion

Currently, a Transmission connected STTM User is not permitted to participate in the contingency gas mechanism due to the exclusion contained in rule 372A(3). The exclusion would prevent a Transmission connected STTM User from submitting contingency gas offers or contingency gas bids. The exclusion appears to be the result of a drafting oversight, and is inconsistent with the principles of removal of barriers to entry and that all Trading Participants (i.e. STTM Shippers and STTM Users) should be treated in a fair and equitable way.

Equally importantly, the exclusion will diminish the benefits that might otherwise be obtainable from the contingency gas mechanism, as Transmission connected STTM Users are anticipated to provide a large proportion of contingency gas at the Brisbane hub.

Not making the Proposed Rule Changes would create a barrier to entry for some STTM Users that could result in involuntary curtailment earlier than would otherwise be needed or, potentially, when it could have been avoided. Competition for supply of contingency gas will be reduced, and market efficiency will be diminished. The exclusion would also result in increased risk and costs to consumers at Brisbane during contingency gas events. In summary, an objective of the contingency gas mechanism is that it should be able to access the greatest quantity of contingency gas from the largest pool of Trading Participants at the widest range of locations. The effect of exclusion in rule 372A(3) is that achievement of this objective is not possible as all withdrawals are not being treated the same.

A consequential issue relates to the provision of information required to operate the contingency gas mechanism. Rule 442(5) only requires information (under the STTM Procedures) to be provided by STTM distributors. In order that all relevant information regarding contingency gas that AEMO requires under the STTM Procedures is provided, it is proposed that this rule is modified to also place an obligation on STTM facility operators (who will need to provide information regarding deemed STTM distribution systems).

## 6.4 How the Proposed Rule Changes resolve the issues

The Proposed Rule Changes replace the broad exclusion in rule 372A(3) with specific exclusions in a new rule 439A, allowing Transmission connected STTM Users to participate in contingency gas. They also make a consequential change to place an obligation on STTM facility operators to provide information required by the STTM Procedures [in rule 442(5)]. The issue to be resolved is to ensure that all STTM Users are treated equally, therefore this discussion focuses on the changes to rule 372A(3).

The Proposed Rule Changes recognise that all withdrawals, for trading, settlement and contingency gas purposes, should be treated equally. The change to rule 372A(3), which replaces the words “excluding Division 8” with “unless otherwise specified in these rules or the STTM Procedures”, addresses the issue by allowing Transmission connected STTM Users to participate in the contingency gas mechanism.

The effect of the Proposed Rule Changes is that the broad exclusion from Division 8 of deemed STTM distribution systems [under rule 372A(3)] will no longer exist and for all purposes in Part 20 of the NGR, including Contingency Gas:

- a deemed STTM distribution system will be treated like any other STTM distribution system;
- a Transmission connected STTM User will have a distribution service under a distribution contract that is registered with AEMO; and
- the Transmission connected STTM User on the deemed STTM distribution system will be the deemed STTM Distributor.

Consequently, contingency gas offers and contingency gas bids would be able to be submitted by large end users who are Transmission connected STTM Users. But, in order to ensure will are not entitled to participate in the contingency gas decision-making process as an STTM distributor, specific exclusions have been added in a new rule 439A.

The change to rule 442(5) inserts the words “STTM facility operator or” to address the consequential issue that STTM facility operators may be required to provide information under the STTM Procedures to support AEMO as it operates the contingency gas mechanism.

## 6.5 How the Proposed Rule Changes contribute to the National Gas Objective

The AEMC must assess whether the Proposed Rule Changes will or are likely to contribute to the NGO, as defined in Section 23 of the NGL.

The Proposed Rule Changes would contribute to the NGO for the following reasons:

- The Proposed Rule Changes would improve efficiency by increasing competition and liquidity in the contingency gas market and increasing the number of potential providers of contingency gas.
- The Proposed Rule Changes would enhance efficient operation of gas services as they allow the full potential of the contingency gas mechanism to be accessed to resolve imbalances at a hub. By allowing all STTM Users to submit contingency gas offers and contingency gas bids, AEMO may schedule contingency gas that delays or avoids involuntary curtailments, and thereby reduce risk and costs to consumers at Brisbane during contingency gas events.
- The Proposed Rule Changes would enhance the reliability and security of supply by facilitating participation in the contingency gas mechanism; thereby protecting the long term interests of consumers.
- The Proposed Rule Changes would permit Transmission connected STTM Users to better manage the price of their gas and take advantage of all of the features of the STTM. resulting in reduced risk and costs.

No MCE statements of policy principles apply to this subject matter. The form of regulation factors and revenue and pricing principles are not relevant to this proposal.

## 6.6 Expected Benefits and Costs of the Proposed Rule Changes

The persons likely to be directly affected by this proposal are large end users directly connected to the transmission pipeline in Brisbane, and all other users at the Brisbane hub who could be exposed to increased risk of curtailments and intervention if these STTM Users are prevented from providing contingency gas.

There is no direct cost to implement this proposal. The Proposed Rule Changes provide the opportunity for, but do not force, Transmission connected STTM Users to participate in the contingency gas mechanism.

In summary:

- The key benefit this proposal is that participation in the contingency gas mechanism by all STTM Users will be possible at their choice, thereby increasing security of supply, competition for supply of gas, and ensuring all withdrawals from the hub and STTM Users participating in the STTM are treated equally and equitably; and
- There is no cost to implement the Proposed Rule Changes.

## 6.7 Proposed Rule Changes

The Proposed Rule Changes remove the general restriction on the application of the deeming provisions contained in rule 372A(3) so they apply to all of Part 20 (Short Term Trading Market), including Division 8 (Contingency Gas), replacing them with specific restrictions in a new rule 439A. They also require, at rule 442(5), that STTM facility operators must provide information necessary for the operation of the contingency gas mechanism in accordance with the STTM Procedures, which may include information regarding a deemed STTM distribution system.

The Proposed Rule Changes are provided at Attachment B.

## A7. Rule change proposal 5 – Transitional Provisions

### 7.1 Summary of the Proposal

Transitional provisions are included in the NGR to provide for the start of a market or, for the STTM, the commencement of a hub.

It is proposed that two additional transitional provisions be inserted to ensure the smooth commencement of the Brisbane hub. The proposed additions mirror the transitional arrangements that applied when the existing hubs at Adelaide and Sydney commenced.

The Proposed Rule Changes are minor and non-controversial, being administrative and technical in nature. They would allow for the Brisbane hub to commence on a day that is not the first day of a calendar month and the first billing period to be less than one month. The changes would also require AEMO to confirm with a Trading Participant their minimum exposure for which they must lodge security prior to the start of the market.

### 7.2 Statement of Issues

#### 7.2.1 Introduction

When a new market commences, certain provisions of the NGR for the ongoing management and operation of the market do not or cannot apply, so transitional arrangements are needed. The transitional provisions for the STTM can be found in the Part 3 of Schedule 1 to the NGR. These detail, among other things, the transitional provisions for the commencement of the STTM at the Brisbane hub.

However, unlike the transitional provisions for the Adelaide and Sydney hubs, adjustments to the first billing period and AEMO's obligation to confirm a trading participant's minimum exposure were not included in the Transitional Rules for the Brisbane hub (in clause 29).

The Proposed Rule Changes would address this and thereby help to ensure that the commencement of the Brisbane hub is not disrupted as a result of compliance issues.

#### 7.2.2 First billing period

The NGR defines the billing period as "each period commencing on the gas day that starts on the first day of each calendar month and ending on the gas day that starts on the last day of that calendar month" [rule 364]. This definition is expected to apply to every billing period, however the first billing period is dependent on the specific commencement date of the STTM at a hub.

Clause 17 of Schedule 1 (that applied when the Adelaide and Sydney hubs commenced) states "the first billing period commences on the first STTM gas day and ends at the end of the gas day commencing on the last day of the calendar month in which the first STTM gas day occurs", where the 'first STTM gas day' started on the 'STTM commencement date'.

While it is currently scheduled that the Brisbane hub will commence on 1 December 2011, this cannot be guaranteed. The 'Brisbane hub commencement date' will be the date gazetted by the Queensland Government or a later date determined by AEMO [clause 13 of Schedule 1].

If the 'Brisbane hub commencement date' is not the first day of a month, issuing a settlement statement that for a billing period that starts on the first day [rules 468(1), 469(1) and 473(5)] becomes problematic, as the Brisbane hub would not be operational for the full month. In this case, AEMO could not calculate the settlement amount, as it would not be able to calculate settlement amounts for the gas days prior to the start of the Brisbane hub. Without the Proposed Rule Change, the commencement date of the Brisbane hub may need to be delayed so it coincides with the first day of a calendar month.

This minor change to the NGR affects only the first billing period; it has no impact on the design of the STTM or the operational or commercial practices of AEMO or Trading Participants.

### 7.2.3 Amount of security

The NGR requires Trading Participants to "ensure that the amount undrawn or unclaimed under the security held by AEMO in respect of that Trading Participant does not fall below the Trading Participant's minimum exposure" [rule 480(3)]. Should a Trading Participant not comply with this obligation, this is a default event [under rule 486(1)(b)] and they may be suspended [under rules 487(6) and 488].

Under rule 480(1), "prior to the end of each financial year AEMO must determine and provide written confirmation to each Trading Participant of that Trading Participant's minimum exposure, calculated as AEMO's reasonable estimate of the participant fees referable to the STTM payable by the Trading Participant to AEMO in respect of a billing period in the following financial year". These are appropriate requirements where the 'following financial year' starts after the STTM commences at a particular hub. As the STTM at the Brisbane hub will commence after the start of the financial year, special arrangements are required.

For the Adelaide and Sydney hubs, the special arrangements were detailed in clause 25 of Schedule 1 which provides for transitional arrangements for the 'first financial year'. This same transitional provision should also apply to the Brisbane hub, but currently does not. Therefore, it is proposed that clause 29(3) be amended so it includes a reference to clause 25.

This minor amendment would only have effect for the first financial year. It would have no impact on the design of the STTM or the operational or commercial practices of AEMO or trading participants.

## 7.3 How the Proposed Rule Changes resolve the issues

The Proposed Rule Changes would address the issues outlined above as follows:

- Amendment of clause 29(3) so it includes a reference to clause 17 would preserve flexibility when setting the 'Brisbane hub commencement date', so it can be set at a day other than the first day of a calendar month (and for the billing period is adjusted accordingly).

This would mean that the first billing period of the Brisbane hub would begin on the day that the Brisbane hub commences operation, being the 'first Brisbane gas day'. The NGR would no longer require the first billing period to begin on the gas day that starts on the first day of a calendar month [per rule 364].

- Trading Participants must know the minimum level of security they must lodge with AEMO so they can avoid the risk that they might be issued a default notice when the Brisbane hub commences and, potentially, be suspended if they do not promptly respond.

The Proposed Rule Changes would ensure AEMO is able to confirm the minimum exposure with Trading Participants well in advance of the Brisbane hub commencement date (no less than 15 business days prior) so that Trading Participants have sufficient time to put in place arrangements that adjust or establish the amount of security they must lodge with AEMO.

The Proposed Rule Changes would result in the transitional provisions for the Brisbane hub matching those of the Adelaide and Sydney hubs. They seek to avoid administrative problems and unnecessary delays to the commencement of the Brisbane hub.

#### **7.4 How the Proposed Rule Changes contribute to the National Gas Objective**

The AEMC must assess whether the Proposed Rule Changes will or are likely to contribute to the NGO, as defined in Section 23 of the NGL.

The Proposed Rule Changes would contribute to the NGO by improving operational efficiency and reducing potential costs.

No MCE statements of policy principles apply to this subject matter. The form of regulation factors and revenue and pricing principles are not relevant to this proposal.

#### **7.5 Expected Benefits and Costs of the Rule change proposal**

Only Trading Participants who intend to participate in the STTM at the Brisbane hub when it commences will be affected by the Proposed Rule Changes.

The Proposed Rule Changes are designed to minimise confusion and uncertainty when the Brisbane hub commences. The Proposed Rule Changes would ensure that the financial settlement of the STTM in the first month the Brisbane hub operates will be for the period anticipated by Trading Participants and would ensure they would be informed as to the minimum amount of security they must lodge with AEMO. These would provide benefits to all Trading Participants who intend to participate at the Brisbane hub.

Consequently, commencing the STTM at the Brisbane hub with these Proposed Rule Changes would deliver certainty, and has the potential to avoid costs associated with a delay to the start that would otherwise be needed to align with the first day of a month<sup>10</sup>. No additional costs associated with this Rule change proposal have been identified.

#### **7.6 Proposed Rule Changes**

The intent of the Proposed Rule Changes is to allow the first billing period of the Brisbane hub to be able to be less than one calendar month and to place an obligation on AEMO to confirm the minimum exposure of all Trading Participants at least 15 business days prior to the Brisbane hub commencement date.

The Proposed Rule Changes seek this by adding references to clauses 17 and 25 to clause 29.

The Proposed Rule Changes are provided at Attachment B.

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<sup>10</sup> On the basis that the Queensland STTM Project will be incurring substantial costs across industry and AEMO, any delay in the commencement date to ensure it is the first of a month would be costly as parties would continue to incur establishment costs including the cost of participating in a trial.

## Attachment B: Proposed Rule Changes

In this attachment, drafting for all Proposed Rule Changes has been collated and presented as a single set of changed Rules, with changes tracked as shown.

Therefore, where a change to a common provision must incorporate the changes from more than one change proposal, such as rule 422(1), the proposed drafting includes all proposed changes.

To assist in readability:

- Rules have been presented in the sequence they are in version 7 of the NGR;
- The Part and Division references are presented;
- The entire rule is presented to provide context, with changes highlighted:
  - Insertions are in **blue** and underlined (e.g. insertion); and
  - Deletions are in **red** and struck-through (e.g. ~~deletion~~);
- The source or sources of changes to a Rule have been notated under the rule number/description; and
- A table setting out the rules affected by a Rule change proposal appears below.

Changes are shown against version 8 of the Rules.

### B1. Table of rule changes by Rule change proposal

Att. A (section)	Rule change proposal	Affected rules
A3	Self Contracting User	135AB(2)
A4	Gas Day	364, 393(1), 407(5), 408(5), 410(2), 412(1), 414(1), 415(1), 416(1), 416(2), 416(4), 417(1), 419(1), 420(2), 422(1), 423(1), 426(1), 428(1), 428(2), 428(3), 428(4), 489(3),
A5	Withdrawals from a hub	364, 386, 390(2), 395(5), 422(1), 422(2), 422(3), 422(4)
A6	Contingency Gas	372A(3), 439A, 442(5)
A7	Transitional Provisions	Schedule 1, Part 3, clause 29

**Important note:** Where another Rule change proposal affects a rule listed above as relating to the Gas Day Rule change proposal, we ask that the AEMC ensures the mechanism for describing time (such as an off-set from the beginning of the gas day) is consistently applied.

AEMO submitted to the AEMC a Rule change proposal called “STTM price setting process” on 9 February 2011 (the ‘February submission’), which is published on the AEMC website. We note that this Rule change proposal includes changes to rules that are also proposed to change in the February submission. We ask that the AEMC be cognisant of this complication and AEMO provides advice as to how they could be treated below:

- Rule 414(1): Version 8 includes the phrase “By 11:00am on each gas day”. This Rule change proposal proposes this should become “No later than 4½ hours after the beginning of each gas day”. The February submission changes the time from “11:00am” to “9:30am”.
  - If the February submission is Made prior to this Rule change proposal being Made (in the form proposed), the proposed change to rule 414(1) should read “No later than 3 hours after the beginning of each gas day”.
- Rule 415(1)(c): Version 8 includes the phrase “as at 11:00am”. This Rule change proposal proposes this should become “as at 4½ hours after the beginning of the gas day”. The February submission deletes the phrase “as at 11:00am”.
  - If the February submission is Made prior to this Rule change proposal being Made (in the form proposed), the proposed change to rule 415(1)(c) should read “By 3 hours after the beginning of the gas day”.
- Rule 426(1): In Version 8, the subrule starts with “AEMO must, by 12 noon”. This Rule change proposal proposes this should become “AEMO must, by 5½ hours after the beginning of the gas day”. The February submission changes the phrase by inserting “Subject to subrule 1(A)”.
  - If the February submission is Made prior to this Rule change proposal being Made (in the form proposed), the proposed change to rule 426(1) should start with “Subject to subrule 1(A), AEMO must by 5½ hours after the beginning of the gas day”. Similarly, the Note under subrule (1) should be amended by inserting “and subrule 1(A) does not apply” after “subrule (1)”.
- Rule 426(1B): Version 8 does not have this subrule. Therefore, this Rule change proposal does not propose a change. The February submission inserts subrule (1B), which reads “AEMO must not delay the provision of the ex post imbalance price to Trading Participants at a hub under rule 426 (1A) beyond 4:00pm”.
  - If the February submission is Made prior to this Rule change proposal being Made (in the form proposed), a change to the new rule 426(1B) should be made so the phrase “beyond 4:00pm” becomes “beyond 9½ after the beginning of the gas day”.

## B2. Rules affected by Rule Change proposals

### Part 15A, Division 1 – Registration

#### 135AB Retail market participation

Source: Self contracting user Rule change proposal

- (2) A person participates, in a registrable capacity, in the retail gas market of Queensland as follows:
- (a) Registrable capacity: distributor
    - (i) A service provider that holds, or is required to hold, an area distribution authority under the *Gas Supply Act 2003* of Queensland; or
    - (ii) A service provider that holds, or is required to hold, a reticulator's authorisation under the *Gas Supply Act 1996* of New South Wales for the Tweed local government area.

**Note:**

*The APT Allgas Distribution Network – South Coast Region as described in the Access Arrangement for APT Allgas Energy Pty Ltd (ACN 009 656 446) and approved by the Queensland Competition Authority in July 2006 extends into the Tweed local government area in NSW.*

- (b) Registrable capacity: retailer
  - (i) A user or non-scheme pipeline user that holds, or is required to hold, a retail authority under the *Gas Supply Act 2003* of Queensland; or
  - (ii) A user or non-scheme pipeline user that holds, or is required to hold, a supplier's authorisation under the *Gas Supply Act 1996* of New South Wales for a pipeline that forms part of the APT Allgas Distribution Network – South Coast Region.

(c) Registrable capacity: self contracting user

A user or non-scheme pipeline user that:

- (i) is a party to a contract for the provision of haulage services with a service provider that participates in the retail gas market of Queensland with the registrable capacity of distributor; and
- (ii) is an end-user; and
- (iii) is not required to hold a retail authority under the *Gas Supply Act 2003* of Queensland or a supplier's authorisation under the *Gas Supply Act 1996* of New South Wales.

**Part 20 Division 1 – Preliminary**

**364 Definitions**

Sources: Gas day and Withdrawals from a hub Rule change proposals

**Gas day** means a period of 24 consecutive hours beginning at:

(a) 8:00am for the Brisbane hub; and

(b) 6:30am for all other hubs.

**STTM distribution system allocation** for an STTM User, means the total quantity of natural gas that is taken to be withdrawn from the relevant hub on a gas day using ~~that~~ a registered distribution service, as determined by AEMO under rule 422.

**Part 20 Division 2 – Hubs and STTM Distribution Systems**

**372A Brisbane hub**

Source: Contingency gas Rule change proposal

- (1) The Brisbane hub comprises the custody transfer points specified in the STTM Procedures.
- (2) The STTM distribution systems for the Brisbane hub are:
  - (a) the distribution systems for the Brisbane North and Ipswich distribution areas described in clauses 2.1 and 2.2 of Schedule 1 to Area Distribution Authority number DA–A-007 issued under the *Gas Supply Act 2003* of Queensland; and
  - (b) the distribution system for the South East Queensland distribution area described in clause 2.1 of Schedule 1 to Area Distribution Authority number DA–A-009 issued under the *Gas Supply Act 2003* of Queensland; and
  - (c) a facility that is taken to be an STTM distribution system under subrule (3).
- (3) For the purposes of this Part 20, ~~excluding Division 8~~ unless otherwise specified in these rules or the STTM Procedures:
  - (a) a facility that is directly connected to an STTM pipeline at a custody transfer point that is part of the Brisbane hub where natural gas is withdrawn for consumption in that facility, is taken to be an STTM distribution system;
  - (b) the withdrawal of natural gas into the facility at that custody transfer point is taken to be a distribution service under a distribution contract for which the STTM pipeline operator is the contract issuer and the user of that service is the contract holder; and

- (c) the user of that service is taken to be the STTM distributor for the facility.
- (4) AEMO may, by written notice, exempt a person who is taken to be an STTM distributor under subrule (3) from a requirement to comply with a provision of this Part 20, subject to any conditions reasonably specified by AEMO.

**Part 20, Division 3 – Registration of Trading Participants**  
**Subdivision 3: Trading Rights**

**386 Registration of trading rights**

Source: Withdrawals from a hub Rule change proposal

If AEMO registers a trading right under this Division, AEMO must:

- (a) register the contract holder (in the case of a trading right registered under rule 384) or the Trading Participant to whom the trading right has been granted (in the case of a trading right registered under rule 385) as the trading right holder of the trading right; and
- (b) register the following details in respect of the trading right:
  - (i) the identifier for the registered facility service or registered distribution service to which the trading right relates; and
  - (ii) the first and last gas days of the period for which the trading right applies; and
  - (iii) ~~in relation to a trading right in respect of a registered facility service,~~ the capacity limit of that trading right for each gas day in the period referred to in paragraph (b)(ii); and
  - (iv) any other details AEMO considers necessary; and
- (c) inform the trading right holder and (if the trading right holder is not the contract holder) the contract holder of the identifier and the registered details of the trading right; and
- (d) in the case of an additional trading right registered under rule 385, reduce the registered capacity limit of the contract holder's registered trading right for each gas day by a quantity equal to the capacity limit of that additional trading right for each such gas day.

**Part 20, Division 3 – Registration of Trading Participants**  
**Subdivision 5: Changes to registered services and trading rights**

**390 Changes to details of registered services**

Source: Withdrawals from a hub Rule change proposal

- (1) A contract holder in respect of a facility contract must ensure that all allocations submitted under Division 7 for each gas day in respect of a

registered facility service that is provided under that contract are consistent with the registered details of that service.

- (2) A contract holder must notify AEMO of any change to:
  - (a) the capacity limit of a registered facility service [or registered distribution service](#) for any gas day; or
  - (b) the first or last gas days of the period for which a registered facility service or registered distribution service will be available to the contract holder,

as soon as practicable, but no later than one gas day before the gas day on which that change becomes effective.

**Note:**

If the contract holder is no longer entitled to be provided with the service because another person assumes the rights and obligations of the contract holder in respect of that service, that person will be required to submit information to AEMO under rule 380.

- (3) A notification given under subrule (2) must specify:
  - (a) the identifier of the registered facility service or registered distribution service; and
  - (b) the updated information.

### 393 Changes to details of additional trading rights

Source: Gas day Rule change proposal

- (1) A contract holder may notify AEMO of a change to the details of a registered trading right that was registered under rule 385 at any time, but no later than ~~12:00 noon on~~ [5½ hours after the beginning of](#) the gas day before the gas day on which that change becomes effective.
- (2) The requirements of rule 385 apply, with appropriate modifications, to the changed details provided under subrule (1) as if they had been provided by the contract holder in respect of an additional trading right under rule 385(1).
- (3) As soon as practicable after receiving details provided in accordance with subrule (1), AEMO must:
  - (a) inform the relevant trading right holder of those details; and
  - (b) update the registered details of the registered trading right; and
  - (c) reduce or increase the capacity limit of the contract holder's registered trading right for each gas day by a quantity corresponding to any increase or reduction in the capacity limit of the changed registered trading right for that gas day.

### 395 Termination or assignment of services

Source: Withdrawals from a hub Rule change proposal

- (1) This rule applies if a contract holder will cease to be entitled to be provided with a registered facility service or registered distribution service before the gas day which is registered as the last gas day on which that service will be available to the contract holder.
- (2) If this rule applies, the contract issuer in respect of the relevant facility contract or distribution contract must notify AEMO as soon as practicable after becoming aware of the gas day on which the service will cease to be available to the contract holder, specifying that gas day and the identifier of the registered facility service or registered distribution service.
- (3) The gas day specified by the contract issuer under subrule (2) must not be earlier than the gas day after the gas day on which the notification is submitted.
- (4) However, the obligation of the contract issuer under subrule (2) does not apply if the contract issuer has confirmed the details of the cessation provided by the contract holder to AEMO under rule 390.
- (5) As soon as practicable after receiving a notification submitted in accordance with subrule (2), AEMO must:
  - (a) inform each trading right holder in respect of the relevant registered facility service or registered distribution service; and
  - (b) deregister the relevant service ~~and all registered trading rights in respect of that service~~, from the gas day specified by the contract issuer under subrule (2); and
  - (c) deregister or modify all registered trading rights in respect of that service to reflect the deregistration.

## Part 20, Division 7 – Market Operations

### Subdivision 2: Scheduling for the ex ante market

#### 407 Ex ante offers

Source: Gas day Rule change proposal

- (1) Subject to rule 412(1), an ex ante offer must only relate to natural gas that the STTM Shipper intends to supply to a hub on a particular gas day if the ex ante offer is scheduled by AEMO.
- (2) An ex ante offer must comply with the requirements set out in the STTM Procedures.

- (3) Each ex ante offer must relate to a single registered trading right and at any time not more than one ex ante offer may apply to the same registered trading right for a gas day.
- (4) Ex ante offers for a gas day are confidential information until the end of that gas day.
- (5) AEMO must make the following information for each ex ante offer for a gas day available to Trading Participants and other persons authorised by AEMO, ~~by 11:00am~~ no later than 4½ hours after the beginning of the gas day on the next gas day.
  - (a) the identity of the relevant STTM Shipper; and
  - (b) the hub and STTM facility to which the ex ante offer relates; and
  - (c) the prices and quantities in each price step,and AEMO must publish that information as soon as practicable after that time.

#### 408 Ex ante bids

Source: Gas day Rule change proposal

- (1) Subject to rule 412(1), an ex ante bid must only relate to natural gas that the STTM Shipper or STTM User intends to withdraw from a hub on a particular gas day if the ex ante bid is scheduled by AEMO.
- (2) An ex ante bid must comply with the requirements set out in the STTM Procedures.
- (3) Each ex ante bid must relate to a single registered trading right and at any time not more than one ex ante bid may apply to the same registered trading right for a gas day.
- (4) Ex ante bids for a gas day are confidential information until the end of that gas day.
- (5) AEMO must make the following information for each ex ante bid for a gas day available to Trading Participants and other persons authorised by AEMO, ~~by 11:00am on~~ no later than 4½ hours after the beginning of the next gas day.
  - (a) the identity of the relevant Trading Participant; and
  - (b) the hub and (if applicable) the STTM facility to which the ex ante bid relates; and
  - (c) the prices and quantities in each price step,and AEMO must publish that information as soon as practicable after that time.

#### 410 Timing of submissions of ex ante offers, ex ante bids and price taker bids

Source: Gas day Rule change proposal

- (1) If a Trading Participant expects to supply quantities of natural gas to, or withdraw quantities of natural gas from, a hub on a gas day, the Trading Participant must submit to AEMO in good faith:
  - (a) ex ante offers, ex ante bids or price taker bids for that gas day that reflect;  
or
  - (b) revisions to an earlier ex ante offer, ex ante bid or price taker bid for that gas day so as to reflect,  
  
the Trading Participant's best estimate of the quantities of natural gas it expects to supply or withdraw on that gas day, as at each of the times specified in subrule (2).
- (2) Any submissions required in accordance with subrule (1) must be made ~~before~~ no later than:
  - (a) ~~2:00pm on~~ 7½ hours after the beginning of the gas day that is 3 gas days before the relevant gas day; and
  - (b) if revised or not previously submitted, ~~2:00pm on~~ 7½ hours after the beginning of the gas day that is 2 gas days before that gas day; and
  - (c) if revised or not previously submitted, ~~12:00 noon on~~ 5½ hours after the beginning of the gas day before that gas day.
- (3) Where a Trading Participant revises an ex ante offer, ex ante bid or price taker bid in accordance with this rule, the Trading Participant is taken to have submitted a new ex ante offer, ex ante bid or price taker bid on those changed terms, which supersedes the previous ex ante offer, ex ante bid or price taker bid.

#### 412 Multiple-day offers and bids

Source: Gas day Rule change proposal

- (1) A Trading Participant for a hub may, ~~before 12 noon on~~ no later than 5½ hours after the beginning of any gas day, submit either an ex ante offer or ex ante bid for that hub that relates to each gas day in a specified period commencing on or after the next gas day and otherwise complies with rules 407 or 408 (as applicable).
- (2) Rule 411 applies to a submission made under subrule (1) and, if AEMO rejects an ex ante offer or ex ante bid in relation to any one gas day within the period specified in that submission, AEMO must reject the entire submission.

- (3) For the purposes of this Part, an ex ante offer or ex ante bid referred to in subrule (1) is to be treated as a separate ex ante offer or ex ante bid for each gas day during the period to which it relates.

#### 414 Capacity information

Source: Gas day Rule change proposal

- (1) ~~By 11:00am on~~ No later than 4½ hours after the beginning of each gas day, an STTM facility operator must notify AEMO of the quantity of natural gas which it expects, in accordance with good gas industry practice, that the STTM facility will be able to deliver to the relevant hub on:

- (a) the third gas day after that gas day; and
- (b) the second gas day after that gas day; and
- (c) the following gas day,

which must not exceed the maximum capacity specified by that STTM facility operator for that STTM facility under rule 376(1)(g).

- (2) If an STTM facility operator does not give a notice to AEMO in accordance with subrule (1) in respect of any gas day, the STTM facility operator will be taken to have given AEMO a notice specifying the registered quantity of natural gas provided under rule 376(1)(f) or determined under rule 377(2) for that gas day.
- (3) AEMO must make the information contained (or taken to be contained) in the most recent notice given under this rule for each STTM facility available to Trading Participants and other persons authorised by AEMO, by the time specified in the STTM Procedures:
- (a) on the gas day that is 3 gas days before the gas day to which that information relates; and
  - (b) on the gas day that is 2 gas days before the gas day to which that information relates; and
  - (c) on the gas day before the gas day to which that information relates,
- and AEMO must publish that information as soon as practicable after that time.

#### 415 Issue of schedules

Source: Gas day Rule change proposal

- (1) In determining a provisional schedule or an ex ante market schedule for a hub and a gas day, AEMO must use:

- (a) valid ex ante offers, ex ante bids and price taker bids for that hub and gas day submitted as at the time that is one hour before the time at which AEMO is required to issue that schedule; and
- (b) the capacity limit of the registered trading right to which each ex ante offer, ex ante bid and price taker bid relates, as at:
  - (i) in the case of a provisional schedule – the time at which that schedule is determined; or
  - (ii) in the case of an ex ante market schedule – the time that is one hour before the time by which AEMO must issue that schedule; and

**Note:**

AEMO may only schedule ex ante offers, ex ante bids and price taker bids up to the capacity limit of the relevant registered trading right.

- (c) the available capacity of each STTM facility for the gas day to which the schedule relates, notified or taken to be notified to AEMO in accordance with rule 414, as at ~~11:00am on~~ 4½ hours after the beginning of the gas day on which AEMO is required to issue that schedule; and
  - (d) the following data for each trading right associated with an ex ante offer or ex ante bid submitted by an STTM Shipper for that hub, as at the time that is one hour before the time at which AEMO is required to issue that schedule:
    - (i) the STTM facility associated with that trading right;
    - (ii) the priority of the registered facility service associated with that trading right; and
    - (iii) the flow direction of the registered facility service associated with that trading right.
- (2) For the purposes of this rule and rules 416 and 417, a provisional schedule or an ex ante market schedule is taken to be issued when AEMO has:
- (a) determined the following details, or forecast details, for the relevant hub and gas day:
    - (i) ex ante market price; and
    - (ii) the capacity price for each relevant STTM facility; and
    - (iii) the pipeline flow direction constraint price for each relevant STTM pipeline; and
    - (iv) the market schedule quantity for each relevant registered trading right; and

- (v) any other details required by the STTM Procedures; and
- (b) made available to Trading Participants the following details, or forecast details, as contained in that schedule:
  - (i) the ex ante market price; and
  - (ii) the capacity price for each STTM facility at the hub; and
  - (iii) the pipeline flow direction constraint price for each STTM pipeline at the hub; and
  - (iv) any other details required by the STTM Procedures; and
- (c) made available to each relevant Trading Participant the details of its respective market schedule quantity or forecast market schedule quantity for each relevant registered trading right, as contained in that schedule and any other relevant details specified in the STTM Procedures.

**Note:**

A schedule is not taken to have been issued until the applicable details under paragraph (c) have been available to all Trading Participants whose market schedule quantity or forecast market schedule quantity is contained in the schedule.

- (3) AEMO must, as soon as practicable after a provisional schedule or ex ante market schedule has been issued, make available to each STTM facility operator, STTM distributor and contract holder the relevant details of that schedule (if any) specified in the STTM Procedures.
- (4) AEMO must publish the details specified in subrule (2)(b) as soon as practicable after it has made those details available to Trading Participants.

**416 Timing for issue of provisional schedules**

Source: Gas day Rule change proposal

- (1) Subject to subrule (4), ~~by 3:00pm on~~ no later than 8½ hours after the beginning of each gas day AEMO must issue a schedule (a **D-3 schedule**) for each hub for the third gas day after that gas day.
- (2) Subject to subrule (4), ~~by 3:00pm on~~ no later than 8½ hours after the beginning of each gas day AEMO must issue a schedule (a **D-2 schedule**) for each hub for the second gas day after that gas day.
- (3) AEMO may issue a number of provisional schedules for a gas day before the time specified in subrule (1) or (2) as applicable, and each such schedule validly issued supersedes the previous provisional schedule.
- (4) If AEMO is unable to issue a provisional schedule for a gas day by the time specified in subrule (1) or (2), it must seek to issue that provisional schedule as soon as practicable after that time, but no later than:

- (a) for a D-3 schedule – ~~2:00pm on~~ 7½ hours after the beginning of the next gas day; or
- (b) for a D-2 schedule – ~~12 noon on~~ 5½ hours after the beginning of the next gas day,

and if AEMO does not issue the provisional schedule by that later time, AEMO:

- (c) is not required to issue that provisional schedule; and
  - (d) must, as soon as practicable, publish a notice stating that it was unable to issue that provisional schedule.
- (5) AEMO may, before the time specified in subrule (1) or (2) as applicable, declare one or more provisional schedules previously issued under that subrule to be invalid by publishing a notice to that effect and identifying the last valid provisional schedule (if any) issued for that hub and gas day, and any schedule which is declared invalid is taken not to have been issued.

#### 417 Ex ante market schedule

Source: Gas day Rule change proposal

- (1) Subject to subrules (5) and (6), ~~by 1:00pm on~~ no later than 6½ hours after the beginning of each gas day AEMO must issue the ex ante market schedule for each hub for the next gas day.
- (2) AEMO may issue a number of ex ante market schedules for a gas day before the time specified in subrule (1), and each such schedule validly issued supersedes the previous ex ante market schedule.
- (3) AEMO may, before the time specified in subrule (1), declare one or more ex ante market schedules previously issued under that subrule to be invalid by publishing a notice to that effect and identifying the valid ex ante market schedule (if any) for that hub and gas day, and any schedule which is declared invalid is taken not to have been issued.
- (4) If:
  - (a) AEMO has issued an ex ante market schedule for a gas day under subrule (1); and
  - (b) has commenced, but not completed, the issue of a further ex ante market schedule for that gas day by the time specified in subrule (1);

AEMO must, as soon as practicable, publish a notice stating that the partly issued schedule is invalid and identifying the last ex ante market schedule that was validly issued for that gas day.

- (5) If AEMO is unable to issue an ex ante market schedule for a hub for a gas day in accordance with subrule (1), AEMO must, as soon as practicable, publish a notice to that effect.

**Note:**

If AEMO is unable to issue the ex ante market schedule under this rule, it must determine that an administered price cap state applies under rule 428, or if no provisional schedule was issued for that hub and gas day, determine that a market administered scheduling state applies under rule 430. The ex ante market schedule for that hub and gas day will then be determined in accordance with the applicable rule.

- (6) The ex ante market schedule for a hub and a gas day is:
- (a) the last schedule issued under subrule (1) for that hub and gas day; or
  - (b) if applicable, the last schedule determined for that hub and gas day under rule 428 (for an administered price cap state), rule 430 (for a market administered scheduling state) or rule 431 (for a market administered settlement state).

**Note:**

An ex ante market schedule issued under rule 428, 430 or 431 will supersede any schedule issued under this rule. In some circumstances the ex ante market schedule may be determined after the gas day (See rules 430 and 431).

**Part 20, Division 7 – Market Operations**  
**Subdivision 3: Allocation**

**419 STTM facility allocations**

Source: Gas day Rule change proposal

- (1) ~~By 11:00am on~~ No later than 4½ hours after the beginning of each gas day, the allocation agent for an STTM facility must give AEMO an allocation notice for the immediately preceding gas day that meets the requirements in subrule (2).
- (2) An allocation notice must contain, for the relevant gas day:
- (a) for each registered facility service provided by means of that STTM facility:
    - (i) the STTM facility allocation for that registered facility service, which must not be less than zero; and

**Note:**

An STTM facility allocation must be provided for each registered facility service in respect of the relevant STTM facility, even if that allocation is zero.

- (ii) the quantity of MOS gas allocated to that registered facility service in accordance with rule 421 (such quantity being included in the STTM facility allocation); and
- (iii) the quantity of overrun MOS allocated to that registered facility service in accordance with rule 421 (such quantity being included in the quantity of MOS gas); and

**Note:**

The quantity of MOS gas or overrun MOS may be zero.

- (b) for each MOS increase stack and/or MOS decrease stack:
    - (i) the details of each price step in the relevant MOS stack to which MOS gas was allocated under rule 421(1)(a), including:
      - (A) the identifier of that price step, as specified in the MOS stack; and
      - (B) the quantity of MOS gas allocated to that price step; or
    - (ii) a statement that no MOS gas was allocated,  
(a **MOS step allocation**); and
  - (c) any other matter reasonably required for the purposes of AEMO's functions under this Part, as specified in the STTM Procedures.
- (3) AEMO must reject an allocation notice if:
- (a) it does not comply with subrule (2); or
  - (b) the total quantity of MOS gas specified in the MOS step allocation for a registered facility service (if any) does not equal the quantity of MOS gas, excluding overrun MOS, specified for that registered facility service under subrule (2)(a).
- (4) An allocation agent must provide AEMO with an updated allocation notice for each gas day in a billing period, (collectively, a **billing period allocation statement**) at each of the times specified in the STTM Procedures.
- (5) Subrule (3) applies to each allocation notice in a billing period allocation statement and, if AEMO rejects an allocation notice for any one gas day, AEMO must reject the entire billing period allocation statement.
- (6) If:
- (a) the allocation agent for an STTM facility does not give AEMO an allocation notice for a gas day under subrule (1); or
  - (b) AEMO rejects an allocation notice under subrule (3),
- then AEMO must, as soon as practicable:

- (c) publish a notice of that fact; and
- (d) determine the STTM facility allocation for each registered facility service for the gas day in respect of that STTM facility as if:
  - (i) the quantities of natural gas supplied to or withdrawn from the hub using the registered facility service on that gas day were equal to the quantities that were scheduled to be supplied or withdrawn for that service in the ex ante market schedule for that gas day; and
  - (ii) no MOS gas was allocated to the registered facility service for that gas day.
- (7) If the allocation agent for an STTM facility does not give AEMO a valid billing period allocation statement under subrule (4) by the last time specified in the STTM Procedures before the date on which revised statements for the relevant billing period are to be issued under rule 473:
  - (a) AEMO must request the STTM facility operator to provide a valid billing period allocation statement within one business day; and
  - (b) the STTM facility operator must comply with a request made under paragraph (a); and
  - (c) if the STTM facility operator does not comply with that request, AEMO must:
    - (i) publish a notice of that fact as soon as practicable; and
    - (ii) for the purposes of the revised statements, use the last valid STTM facility allocation received or determined for that STTM facility under this rule for each gas day in that billing period.
- (8) An allocation agent may give AEMO an updated allocation notice for a gas day in accordance with subrule (2) at any time before the 2nd business day after the end of the 9th billing period after the billing period in which that gas day occurs.
- (9) AEMO must reject an updated allocation notice if it does not comply with subrule (2).

#### **420 Registered facility service allocations**

Source: Gas day Rule change proposal

- (1) As soon as practicable after receiving a valid STTM facility allocation, billing period allocation statement or updated allocation notice, or determining an STTM facility allocation for a gas day under rule 419, AEMO must make available to the contract holder for a registered facility service the quantity of natural gas allocated to that registered facility service in the STTM facility allocation (or updated allocation) for that gas day.

- (2) The allocation agent for a registered facility service must:
- (a) ~~by 11:00am on~~ no later than 4½ hours after the beginning of each gas day, give AEMO an allocation notice in respect of the immediately preceding gas day that meets the requirements in subrule (3); and
  - (b) within one business day of AEMO making an updated allocation quantity available to the contract holder under subrule (1), give AEMO an updated allocation notice in respect of the gas day (or each gas day in the relevant billing period), that meets the requirements in subrule (3).
- (3) An allocation notice for a registered facility service must contain, for the gas day (or each gas day in the billing period) to which the notice relates:
- (a) the registered facility service allocation for each registered trading right that relates to the registered facility service; and
- Note:**  
A registered facility service allocation must be provided for each registered trading right in respect of the relevant registered facility service, even if that allocation is zero.
- (b) the quantity of MOS and overrun MOS allocated to the registered facility service, which must be allocated to the contract holder's registered trading right; and
  - (c) any other matter reasonably required for the purposes of AEMO's functions under this Part, as specified in the STTM Procedures.
- (4) AEMO must reject an allocation notice if:
- (a) it does not comply with subrule (3); or
  - (b) the sum of the registered facility service allocations for each registered trading right, or any MOS and overrun MOS allocated to the contract holder's trading right, is not equal to the quantity notified to the contract holder by AEMO under subrule (1); or
  - (c) it includes a registered facility service allocation for a person who is not a trading right holder in respect of the registered facility service.
- (5) Subject to subrule (6), if:
- (a) there is no allocation agent for a registered facility service; or
  - (b) the allocation agent for a registered facility service does not give AEMO an allocation notice for a gas day under subrule (2); or
  - (c) AEMO rejects an allocation notice under subrule (4),

then AEMO must determine the registered facility service allocation for each registered trading right for each relevant gas day in respect of that registered facility service as if:

- (d) each trading right holder who is not the contract holder in respect of the registered facility service had supplied or withdrawn its market schedule quantity for that registered trading right for that gas day; and
  - (e) the contract holder in respect of the registered facility service had:
    - (i) supplied or withdrawn the quantity of natural gas (excluding MOS gas) allocated to the registered facility service, less the quantity of natural gas allocated to all other trading right holders in respect of that registered facility service under paragraph (d); and
    - (ii) provided any MOS gas allocated to the registered facility service.
- (6) If the allocation agent for a registered facility service does not give AEMO a valid allocation notice under subrule (2)(b) in relation to the last billing period allocation statement provided (in accordance with the STTM Procedures) before the date on which revised statements for the relevant billing period are to be issued under rule 473:
- (a) AEMO must request the contract holder for the relevant registered facility service to provide a valid allocation notice within one business day; and
  - (b) the contract holder must comply with a request made under paragraph (a); and
  - (c) if the contract holder does not comply with that request, AEMO may determine a registered facility service allocation for that registered facility service under subrule (5).
- (7) An allocation agent may provide AEMO with an updated allocation notice for a gas day in accordance with subrule (3) at any time before the 2nd business day after the end of the 9th billing period after the billing period in which that gas day occurs.
- (8) Subrule (4) applies, with necessary modifications, to an updated allocation notice provided to AEMO under subrule (7).
- (9) Where an allocation agent provides AEMO with an allocation notice under subrule (2) or (7), the allocation agent must also provide each trading right holder in respect of that registered facility service with the registered facility service allocation for its registered trading right.

## 422 STTM distribution system allocations

Sources: Gas day and Withdrawals from a hub Rule change proposals

- (1) ~~By 11:00am on~~ No later than 4½ hours after the beginning of each gas day, AEMO, ~~in its role as the operator of the retail gas market in each adoptive jurisdiction,~~ must determine for each hub, for the immediately preceding gas day, the STTM distribution system allocation for each STTM User who has a registered distribution service relating to that ~~STTM distribution system hub, in accordance with the STTM Procedures.~~
- ~~(2) AEMO must determine an STTM distribution system allocation for each registered distribution service in accordance with the STTM Procedures.~~  
Deleted
- (3) The STTM Procedures must include a method by which AEMO must scale the quantities allocated to each STTM User ~~registered distribution service~~, so that the aggregate quantity of natural gas allocated to ~~registered distribution services~~ STTM Users at a hub on a gas day equals the net quantity of natural gas supplied to that hub on that gas day, as specified in STTM facility allocations.
- (4) AEMO must determine an updated STTM distribution system allocation for each ~~registered distribution service~~ STTM User for each gas day in a billing period at each of the times specified in the STTM Procedures.
- (5) AEMO must update an STTM distribution system allocation for a gas day under subrule (1) in accordance with the STTM Procedures.

## 423 Market schedule variations

Source: Gas day Rule change proposal

- (1) An STTM Shipper (the **originating STTM Shipper**) may submit a proposed market schedule variation in respect of a hub and a gas day to AEMO:
  - (a) after ~~1:00pm on~~ 6½ hours after the beginning of the immediately preceding gas day; and
  - (b) before 5:00pm on the 4th gas day after the gas day to which that market schedule variation relates

### Note:

The originating STTM Shipper will need to allow sufficient time for the market schedule variation to be confirmed by any other Trading Participant in the same timeframe under subrule (5).

- (2) A proposed market schedule variation submitted to AEMO under subrule (1) must contain the information set out in the STTM Procedures about:
  - (a) the nature and quantity of the proposed market schedule variation; and

- (b) the originating STTM Shipper whose modified market schedule quantity is to reflect the proposed market schedule variation; and
- (c) the STTM Shipper or STTM User whose modified market schedule quantity will reflect the same proposed market schedule variation (the **receiving Participant**).

**Note:**

The originating STTM Shipper and receiving Participant may be the same Trading Participant.

- (3) Where a proposed market schedule variation affects two STTM Shippers, the originating STTM Shipper is to be determined in accordance with the STTM Procedures.
- (4) AEMO must reject a proposed market schedule variation if it does not comply with the requirements of subrule (2) or the STTM Procedures.
- (5) Unless AEMO rejects a proposed market schedule variation under subrule (4), AEMO must:
  - (a) if the originating STTM Shipper and receiving Participant are the same Trading Participant – use that market schedule variation in determining the modified market schedule; or
  - (b) if the originating STTM Shipper and receiving Participant are not the same Trading Participant – make the details of the proposed market schedule variation available to the receiving Participant as soon as practicable for confirmation in accordance with the STTM Procedures, and:
    - (i) if the receiving Participant confirms the proposed market schedule variation before 5:00pm on the 4th gas day after the gas day to which that market schedule variation relates, AEMO must use that confirmed market schedule variation in determining the modified market schedule; or
    - (ii) in any other case, the proposed market schedule variation will expire and must not be used by AEMO in determining the modified market schedule.
- (6) AEMO must make information regarding the status of a proposed market schedule variation available to the originating STTM Shipper and the receiving Participant until 5:00pm on the 4th gas day after the gas day to which that market schedule variation relates.

**Part 20, Division 7 – Market Operations**  
**Subdivision 6: Ex post imbalance price**

**426 Ex post imbalance price**  
Source: Gas day Rule change proposal

- (1) AEMO must, ~~by 12 noon on~~ no later than 5½ hours after the beginning of each gas day, make the ex post imbalance price for each hub for the immediately preceding gas day available to Trading Participants, and must publish that ex post imbalance price as soon as practicable after that time.

**Note:**

If AEMO does not comply with subrule (1), then rule 429 will apply.

- (2) Subject to rules 428, 430 and 431, AEMO must determine the ex post imbalance price for a hub for a gas day in accordance with the STTM Procedures, using:
- (a) the inputs used to determine the ex ante market schedule for that hub and gas day in accordance with rule 415(1); and
  - (b) the market schedule quantities specified in the ex ante market schedule for that hub and gas day; and
  - (c) STTM facility allocations for that hub and gas day received by the time specified in rule 419(1), or determined by AEMO in accordance with rule 419(6).

**Part 20, Division 7 – Market Operations**  
**Subdivision 6: Administered Market States**

**428 Administered price cap state**  
Source: Gas day Rule change proposal

- (1) AEMO must determine that an administered price cap state applies for a hub for a gas day if:
- (a) AEMO determines that it will not be able to issue an ex ante market schedule by ~~4:00pm on~~ 6½ hours after the beginning of the previous gas day, but at least one provisional schedule has been issued for that hub and gas day; or
  - (b) by ~~4:00pm on~~ 6½ hours after the beginning of the previous gas day, AEMO determines, in accordance with the STTM Procedures, that the cumulative price threshold is exceeded in respect of that gas day; or
  - (c) AEMO determines, in accordance with the STTM Procedures, that technical or operational conditions in a pipeline or facility have materially affected the ability of Trading Participants on that gas day:

- (i) to supply or withdraw natural gas at that hub; or
- (ii) to supply natural gas from the STTM distribution system to end users;  
or
- (d) where AEMO becomes aware that a retailer of last resort will assume responsibility for customers of an STTM User at the hub with effect from that gas day – AEMO determines that to be a minor retailer of last resort event in accordance with the STTM Procedures.

**Note:**

A determination under paragraph (c) or (d) may be made after ~~4:00pm on~~ 6½ hours after the beginning of the previous gas day. See subrule (4).

- (2) If AEMO makes a determination under subrule (1) for a hub and a gas day by ~~4:00pm on~~ 6½ hours after the beginning of the previous gas day:
  - (a) the ex ante market price must not exceed the administered price cap; and
  - (b) the capacity price for each STTM facility is the amount by which the ex ante market price (after the application of paragraph (a)) exceeds the lesser of:
    - (i) the administered price cap; and
    - (ii) the amount by which the ex ante market price (prior to the application of paragraph (a)) exceeds the capacity price (prior to the application of this subrule); and
  - (c) if subrule (1)(a) applies – AEMO must use the last provisional schedule issued under rule 416 as the ex ante market schedule, subject to paragraphs (a) and (b).
- (3) If subrule (2) applies, AEMO must, by ~~4:00pm~~ 6½ hours after the beginning of the previous gas day:
  - (a) issue an ex ante market schedule that complies with subrule (2); or
  - (b) make a notice of the relevant determination available to Trading Participants, and, as soon as practicable after that time, issue an ex ante market schedule that complies with subrule (2).
- (4) If AEMO makes a determination under subrule (1)(c) or (d) for a hub and a gas day at or after ~~4:00pm on~~ 6½ hours after the beginning of the previous gas day, the ex ante market schedule for that hub and gas day is:
  - (a) the last schedule issued for that hub and gas day under rule 417(1); or
  - (b) if applicable, the last schedule determined for that hub and gas day under rule 428(3), 430 or 431.

- (5) For each gas day for which an administered price cap state for a hub applies, each of:
  - (a) the ex post imbalance price; and
  - (b) the high contingency gas price; and
  - (c) the low contingency gas price,must not be greater than the administered price cap.
- (6) An administered price cap state for a hub:
  - (a) under subrule (1)(a), (b) or (c) – applies for the whole of the gas day for which it is determined;
  - (b) under subrule (1)(d) – applies from the commencement of the gas day for which it is determined and expires at the end of the gas day commencing 10 business days afterwards.
- (7) AEMO must publish a determination under subrule (1) as soon as practicable.

**Part 20, Division 8 – Contingency Gas**  
**Subdivision 2: Contingency gas trigger event**

**439A Application**

**Source: Contingency gas Rule change proposal**

[In this Subdivision and STTM Procedures made for the purposes of this Subdivision, a reference to:](#)

- [\(a\) an STTM distribution system excludes a facility referred to in rule 372A\(3\)\(a\); and](#)
- [\(b\) an STTM distributor excludes a user referred to in rule 372A\(3\)\(c\).](#)

**442 CG assessment conference**

**Source: Contingency gas Rule change proposal**

- (1) If AEMO convenes a CG assessment conference, AEMO must give notice of that conference to:
  - (a) the relevant STTM facility operators and the STTM distributor in respect of the hub to which the contingency gas trigger event relates; and
  - (b) any other person whose attendance AEMO considers reasonably necessary.
- (2) Any person who receives a notice of a CG assessment conference must attend the conference in person, by telephone, or in any other way specified in the notice given to that person under subrule (1).

- (3) At a CG assessment conference, a relevant STTM facility operator and the STTM distributor must give AEMO their assessment, in accordance with good gas industry practice on the basis of the benchmark information provided under rule 376 and all other information available to them at that time, of:
  - (a) the operational requirement for each relevant STTM facility and STTM distribution system for:
    - (i) the current gas day; and
    - (ii) the next gas day; and
    - (iii) any subsequent gas day on which the STTM facility operator or STTM distributor considers that the contingency gas trigger event will affect the hub; and
  - (b) the quantity of contingency gas that is likely to be required at the hub, and the locations and times at which that contingency gas is likely to be required to meet those operational requirements for:
    - (i) the current gas day; and
    - (ii) the next gas day.
- (4) An STTM facility operator or STTM distributor must provide AEMO with updated information if the information provided under this rule changes materially or is otherwise materially inaccurate.
- (5) An [STTM facility operator or](#) STTM distributor must provide AEMO with any information specified in the STTM Procedures.

## Part 20, Division 11 – Market Reviews

### 489 Review of STTM operation

Source: Gas day Rule change proposal

- (1) Deleted
- (2) AEMO must conduct a review of the operation of the STTM, to be completed by 31 March 2012, that:
  - (a) considers whether the graduated deviation parameters, the graduated variation parameters and the MOS cost cap are set at appropriate levels; and
  - (b) considers whether Division 6 (Market Operator Service) is operating effectively and efficiently; and
  - (c) identifies options for the allocation of settlement surpluses and shortfalls on a daily basis; and

- (d) identifies any improvements in the operation of the STTM and the time period for implementation of those identified improvements.
- (3) [The AEMC must conduct a review of the time the gas day begins at all STTM hubs. The review must be completed within 5 years of the Brisbane hub commencing.](#)

### **Schedule 1, Part 3 – transitional provisions consequent on short term trading markets amendments**

#### **29 Commencement of STTM at Brisbane hub**

Source: Transitional Provisions Rule change proposal

- (1) The STTM will operate at the Brisbane hub on and from the Brisbane hub commencement date.
- (2) Unless otherwise specified in this clause, the first Brisbane hub gas day is the first gas day in respect of which an obligation under Part 20 of the rules applies in respect of the Brisbane hub.
- (3) Clauses 14, 15, 16(2), [17](#), 18, 19, 20, 22, ~~and~~ 23 [and 25](#) apply in respect of the Brisbane hub as if:
  - (a) references to the STTM commencement date were to the Brisbane hub commencement date; and
  - (b) references to the effective date were to the Queensland effective date; and
  - (c) references to the first STTM gas day were to the first Brisbane hub gas day; and
  - (d) references to the first financial year were to the first Brisbane hub financial year; and
  - (e) references to the market trial were to the Brisbane hub market trial.
- (4) For the purposes of rule 424(1), an STTM pipeline operator that wishes to recover its MOS allocation service costs in respect of the Brisbane hub for the first Brisbane hub financial year must give AEMO an estimate of those costs no later than the Brisbane hub commencement date.
- (5) Any estimate or tax invoice issued by an STTM pipeline operator under rules 424(1) or 424(4) in respect of the first Brisbane hub financial year may also include MOS allocation service costs incurred in respect of the Brisbane hub before the Brisbane hub commencement date.
- (6) For the purposes of rule 452, the funding requirement for the participant compensation fund at the Brisbane hub does not apply for the first Brisbane hub financial year if the first Brisbane hub financial year is less than 6 months.

## Attachment C: Overview of the STTM

### C1. Introduction to the STTM

The Short Term Trading Market (**STTM**) is a market-based wholesale gas balancing mechanism established at defined gas hubs to facilitate the short term trading of gas between pipelines, participants and production centres. The STTM commenced operation initially at hubs in Adelaide and Sydney hubs on 1 September 2010, and the Ministerial Council on Energy (**MCE**) and the Queensland Government have announced that the STTM will commence at a hub in Brisbane in 2011.

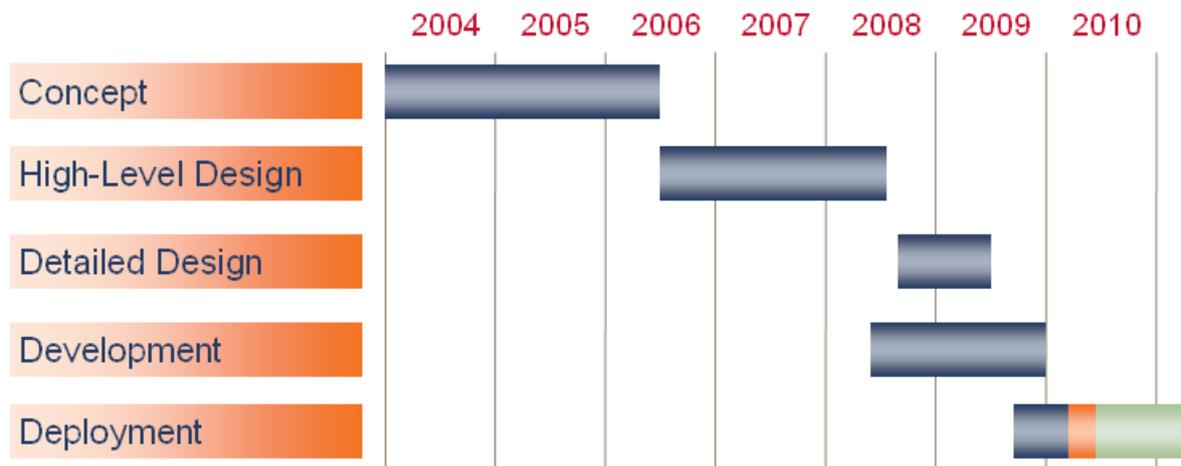
Establishment of the STTM was a major step in the MCE's policy agenda for reform of the energy industry and consequently this project is supported and monitored closely by the MCE.

The market itself runs once a day, on the day ahead, for each hub. It uses bids, offers and forecasts submitted by participants and pipeline capacities to determine schedules for deliveries from the pipelines which ship gas from producers to transmission users and the hubs.

The market sets a daily market price at each hub and settles each hub based on the schedules and deviations from schedules. Participant's daily transactions (scheduled trades and unscheduled deviations or variations) are settled at market prices and billed regularly (monthly). Suitable credit management arrangements have been put in place to manage credit requirements.

The Australian Energy Market Operator (**AEMO**) operates the STTM and the retail gas markets. However, AEMO does not operate the physical pipeline or network assets. Actual physical operation of assets continues to be carried out by the asset owners.

## C2. A Brief History



**2004** In April 2004, the MCE expanded the gas market element of the energy market program with the aim of accelerating the development of a reliable, competitive, and secure gas market, which would further increase the penetration of natural gas.

In December 2004, the MCE approved a set of Principles for Gas Market Development as a basis for development of the Australian gas wholesale market.

**2005** Subsequently, Allen Consulting Group was engaged to provide a report on “Options for the development of the Australian wholesale gas market”. The final report, submitted in June 2005 and endorsed by the Standing Committee of Officials (**SCO**), recommended that further reform of Australian wholesale gas markets was required to improve transparency, enhance competition, and lower potential barriers to new market entry.

In November 2005, in response to the gas industry’s preference for an industry-led approach to gas market development, the MCE established the Gas Market Leaders Group (**GMLG**) to develop a Gas Market Development Plan “which could deliver on the MCE’s objectives for a competitive, reliable and secure natural gas market delivering increased transparency, promoting further efficient investment in gas infrastructure and providing efficient management of supply and demand interruptions”.

**2006** In June 2006, the GMLG released its National Gas Market Development Plan, which recommended proceeding with a package of initiatives that the GLMG believed would best deliver the outcomes sought by the MCE and the gas industry. Amongst other initiatives, the plan recommended the development and implementation of a Short Term Trading Market for all States (except Victoria, which already has a gas market), and the establishment of a national gas market operator to operate it.

In October 2006, in response to the recommended plan, the MCE decided to proceed with the design of the STTM and reconvened the GMLG to oversee the design of the STTM, in consultation with the SCO.

Subsequently, the MCE decided to establish AEMO, to be operational on 1 July 2009. AEMO, as the national gas market operator, will operate the STTM and will assume the gas retail market functions of GMC and REMCo and all functions of VENCORP. It will also assume all functions of NEMMCO and ESIPC, as well as undertake new planning and advisory functions across the national energy market.

**2007** In May 2007, the GMLG recommended further refinements to the MCE's principles, including a statement of desired outcomes and the conditions to further guide the development of gas markets. These were subsequently approved by the MCE.

The MCE commissioned VENCORP to assist the GMLG with the development of a high-level market design for the STTM.

In June 2007, KPMG was engaged to provide advice to GMLG on directions for development of the STTM. Most of their recommendations were accepted by the GMLG in September 2007, including some further refinements to the principles and desired outcomes. ICF International was engaged to develop a high-level market design for the STTM in consultation with industry. The GMLG endorsed ICF International's recommendations in December 2007.

In December 2007, the GMLG recommended to the MCE that the high-level market design developed by ICF International should be adopted, which would form the basis for the detailed development and implementation of the STTM.

**2008** In April 2008, the MCE accepted the GMLG's recommendations; asked the GMLG to oversee the project until AEMO was established; and commissioned VENCORP to develop detailed plans and a budget to establish the STTM by winter 2010.

Development of the detailed market design proceeded over the remainder of 2008.

**2009** In April 2009, the Detailed Market Design was endorsed by the GMLG and subsequently approved by the MCE. Work proceeded with drafting the Law, Rules, and procedures in accordance with the GMLG-endorsed design.

**2010** The National Gas Law that establishes the STTM was proclaimed on 1 January 2010, with the National Gas Rules for the STTM being approved by the MCE and the STTM Procedures being endorsed by GMLG during January 2010.

The MCE subsequently approved further amendments to the NGR to introduce the Brisbane hub. The National Gas (Short Term Trading Market) Amendment Rules were made by the South Australian Minister for Energy in May 2010 and incorporated in Version 4 of the NGR. The STTM Procedures for the start of the STTM were made by AEMO shortly thereafter.

The market trial for the Adelaide and Sydney hubs commenced in March 2010, and the STTM was established at the Adelaide and Sydney hubs in September 2010

The MCE SCO approved AEMO's STTM Implementation Proposal for the Brisbane hub in August 2010. AEMO project to establish the Brisbane hub commenced in September 2010. The plan is for the market trial to commence on 1 September 2011 and the Brisbane hub to commence on 1 December 2011.

### **C3. What is the STTM?**

The STTM is a market for the trading of natural gas at the wholesale level at defined hubs between pipelines and distribution systems. The STTM currently comprises hubs in Adelaide and Sydney, and an additional hub is being implemented at Brisbane, with others intended in the future. Each hub is scheduled and settled separately, but all hubs operate under the same Rules, being Part 20 of the NGR.

Anyone with the necessary agreements and authorities is able to buy and sell gas in the STTM.

In the STTM, "shippers" deliver gas to be sold in the market, and "users" buy gas for delivery to consumers. The same organisation might sell gas into the market and purchase gas from the market, but does so at the daily market price, offers gas for sale under the same terms as any other shipper, and buys gas under the same terms as any other user. If an organisation has gas that is excess to its requirements, it can sell the gas the next day on the open market. Or, if demand is higher than expected, it can bid to purchase the extra gas, when and if it needs to. This gives participants more choice in purchasing gas supplies.

Furthermore, price transparency ensures that the price of gas set daily by the market properly reflects the true supply-and-demand situation, which in turn provides a more reliable price indicator for future investment in production, transmission, and distribution infrastructure.

#### **➤ Important Changes to the Gas Supply System**

The STTM introduces several major changes to how gas supply systems function, which arise from the creation of an open market with transparent pricing, and a systematic approach to system balancing and security.

- Gas is traded a day ahead of the actual gas day, and the day-ahead price ("ex ante market price") is applied to all gas that is supplied according to the market schedules through the hub on the gas day. A market price is set each day at each hub for clearing all trades in the ex ante market.
- The market provides financial incentives for participants to keep to their schedules, and, by doing so, provides financial drivers for keeping the gas supply system balanced. There is also provision in the rules requiring trading participants to act in "good faith" consistent with the principles of the market.
- Bids and offers are scheduled on price to deliver the maximum benefit to the market as a whole. And when required, the market ensures that firm shippers are

compensated when non-firm, lower priced shippers use the capacity that they have funded.

- Mechanisms for balancing flows to and from the hub are now part-and-parcel of the normal, daily operation of the market, and system security events are resolved systematically using a well-defined set of procedures.

#### ➤ **Key Features Preserved by the STTM**

While the STTM brings many important changes to the gas supply system, it also preserves a number of important features of the existing system:

- AEMO only operates the market and has no involvement in how production facilities, transmission pipelines, storage facilities, and distribution networks are operated. These facilities continue to be operated and scheduled by their owners.
- The fundamental contract carriage arrangements on which the industry is based are preserved. Furthermore, the contractual arrangements between pipeline operators and shippers for haulage priority and contracted capacities are recognised in the STTM and form the basis for the trading rights issued by AEMO by which all gas is bought and sold.
- And although AEMO plays a key role in assessing and resolving system security events, it is not responsible for system security, which remains the responsibility of the operators and governments. The resolution of system security events depends on current industry practice. AEMO assists the operators by providing a commercial framework for compensating the participants who respond to the event, and by coordinating the industry's response to such events.

## **C4. The STTM at a Glance**

The main functions and features of the STTM are listed below:

#### ➤ **Scheduling and pricing**

- AEMO issues two- and three-day-ahead outlooks.
- AEMO issues day-ahead market schedules of offers and bids in price order.
- Shippers nominate quantities to pipeline operators.
- Pipeline operators issue pipeline allocations to shippers.
- AEMO issues distribution system allocations to users.

#### ➤ **Deviations and variations**

- Shippers submit intraday renominations to pipeline operators.
- Shippers and users submit bilateral market schedule variations.
- The market provides commercial incentives for participants to forecast accurately, to follow their schedules, and to give timely notice when variations occur.

#### ➤ **Capacity payments**

- When a pipeline is constrained, firm shippers may be paid by non-firm shippers for the use of their capacity.

- **Market operator service (MOS)**
  - AEMO provides an on-the-day service that balances the difference between scheduled pipeline flows and what is actually delivered.
  - MOS gas is paid according to a contracted price based on a quarterly tendering process.
  - Balancing is part-and-parcel of the daily functioning of the market.
- **Contingency gas**
  - AEMO balances physical demand and supply when the normal balancing mechanisms are not sufficient.
  - Procedurally driven and based on current industry practice.
  - Caters for both under- and over-supply situations.
- **Price limits**
  - Limits are applied on market prices and charges to safeguard participants.
- **Settlement**
  - AEMO manages and monitors the settlement process.

## C5. Further information

This overview has been largely extracted from the *Overview of the Short Term Trading Market v3.0*, which has been published by AEMO on its website.

A number of publications have been prepared by and published by AEMO; the following may be useful sources of further information regarding the STTM:

Overview of the Short Term Trading Market v3.0



Technical Guide to the STTM v2.4 - Effective 1 Dec 2010



Industry Guide to the STTM v2.0



STTM FAQ v0.2



STTM Glossary of Terms v2.0



These publications can be found at the STTM Publications page of the AEMO website:

[http://www.aemogas.com.au/index.php?action=filemanager&folder\\_id=2352&pageID=9954&sectionID=9948](http://www.aemogas.com.au/index.php?action=filemanager&folder_id=2352&pageID=9954&sectionID=9948)

## Attachment D: Consultation conducted by AEMO

### 1. Consultation conducted by AEMO

#### 1.1. Key dates

The key dates of the end-to-end consultation process conducted by AEMO are:

- First meeting of the STTM-WG: 28 September 2010
- Meeting at which the QLD STTM-WG agreed to finalise its findings and escalate them to the STTM-CF: 25 January 2011
- STTM-CF meetings that considered matters escalated to it by the QLD STTM-WG: 6 December 2010, 18 January 2011 and 31 January 2011 (at which they were approved as recommendations to AEMO)
- Public consultation on Rule change proposal commences: 14 February 2011
- Public Information Session conducted in Brisbane: 8 March 2011
- Submissions on the Rule change proposal closed: 18 March 2011

#### 1.2. Consultation prior to Public Consultation

##### 1.2.1. Parties involved

The following groups were brought together to consider matters pertinent to the STTM commencing at the Brisbane hub:

- STTM – Consultation Forum (STTM-CF), which comprises producers, transmission pipeline operators, distribution system operators, retailers, large end users, consumer groups, Governments, the AER and other interested parties
- Queensland STTM – Working Group (QLD STTM-WG), a sub-group of the STTM-CF that comprises representatives of parties interested in the Brisbane hub
- Gas Retail Consultative Forum – Queensland (GRCF-Q), which is an open forum that is usually attended by representatives from Queensland based distribution system operators and retailers, but is open to other interested parties.

##### 1.2.2. Process adopted

AEMO managed the consultation process that developed the papers that were the subject of the Public Consultation. It had many steps that spanned about five months:

- Design review papers (that described the issue and proposed resolutions) were prepared by AEMO and issued to QLD STTM-WG for consideration
- QLD STTM-WG met regularly, every one to two weeks from September 2010 to January 2011 (12 meetings)
- Actions and Agreements Reached of QLD STTM-WG meetings were widely circulated
- Discussions with stakeholders, such as the transmission pipeline operator, distributors, existing and prospective shippers and the Queensland Government were conducted
- Design review papers that included the positions on design issues agreed with the QLD STTM-WG were finalised and escalated to the broader STTM-CF for consideration
- STTM-CF met on three occasions to consider papers recommended by the QLD STTM-WG
- STTM-CF made recommendations to AEMO as to how design issues relevant to the STTM at the Brisbane hub could best be resolved
- The papers issued by AEMO for Public Consultation were based on and consistent with the recommendations from the STTM-CF

### 1.3. Public Consultation

AEMO managed the public consultation process. Notices and papers were published and an information session was conducted:

- Notice of Consultation was published in The Australian and The Australian Financial Review on Monday 14 February 2011:



**NOTICE OF CONSULTATION  
SHORT TERM TRADING MARKET (STTM)  
– DRAFT RULE CHANGE PROPOSAL**

This notice informs all interested persons that the Australian Energy Market Operator (AEMO) is conducting consultation on rule changes for the STTM. The Proposed Rule Changes facilitate the commencement of the STTM at a hub in Brisbane.

The objective of this consultation is to provide interested persons with the opportunity to provide further input into the development of the submission that AEMO will make to the Australian Energy Market Commission (AEMC). Submissions close on Friday 18 March 2011.

For more information on this consultation, please visit AEMO's website at <http://www.aemo.com.au/consultations/gasconsultations.html> or contact Craig Price, Senior Manager, Queensland STTM, on 1300 858 724, or by email at [qldsttm@aemo.com.au](mailto:qldsttm@aemo.com.au)

- Papers for consultation were published on the AEMO website on Monday 14 February 2011:
  - QLD STTM Project : STTM Rule Change Proposal - Consultation Paper(filename: 1138-0001.doc)
  - QLD STTM Project : STTM Rule Change Proposal - Attachment A : Rule Change Proposal (filename: 1138-0002.doc)
  - QLD STTM Project : STTM Rule Change Proposal - Attachment B : Proposed Rule Changes (filename: 1138-0003.doc)
  - QLD STTM Project : STTM Rule Change Proposal - Attachment C : Overview of the STTM (filename: 1138-0004.doc)

- Public Information Session conducted in Brisbane on Tuesday 8 March 2011

- Notice was published on the AEMO website:

On Tuesday 22 February AEMO announced that an information session will be held in Brisbane (details below) where the background of the STTM and the Proposed Rule Changes for the Queensland STTM will be presented. Interested stakeholders are encouraged to attend.

**Date:** Tuesday, 8 March 2011

**Time:** 1:00pm to 3:00pm

**Location:** Novotel Brisbane, 200 Creek Street, Brisbane

Stakeholders wishing to attend are asked to register their interest by **Wednesday 2 March 2011** (for catering purposes) to [Kylie.Cairns@aemo.com.au](mailto:Kylie.Cairns@aemo.com.au)

While stakeholders are encouraged to raise any issues they may have at the information session, written submissions on the Rule Change Proposal close on Friday 18 March 2011.

- The materials handed out at the Information Session were published on the AEMO website on Monday, 21 March 2011:
  - STTM Proposed Rule Changes – Information Session (filename: 1137-0004.pdf)

#### 1.4. Industry consultation

AEMO involved the wider gas industry in the consultation process as follows:

- All aspects of the Public Consultation were open to interested persons from industry
- E-mails advising of notices and consultation documents being published were also sent to industry groups with whom AEMO consulted on the Rule change proposals:
  - STTM – Consultation Forum (STTM-CF), which comprises producers, transmission pipeline operators, distribution system operators, retailers, large end users, consumer groups, Governments, the AER and other interested parties

- Queensland STTM – Working Group (QLD STTM-WG), a sub-group of the STTM-CF that comprises representatives of parties interested in the Brisbane hub
- Gas Retail Consultative Forum – Queensland (GRCF-Q), which is an open forum that is usually attended by representatives from Queensland based distribution system operators and retailers, but is open to other interested parties.

## 2. Issues raised through the public consultation process

### 2.1. Comments sought

The consultation papers issued by AEMO specifically sought comments on the key matters:

- The introduction of Self Contracting Users to the Queensland Retail Gas Market
- The Brisbane hub gas day beginning at 8:00am EST
- Arrangements to allow STTM Users who are connected to the transmission pipeline to participate in contingency gas
- Any matter in the draft submission

### 2.2. Issues raised during the consultation

AEMO received no submissions on the Rule change proposals. This is considered to be a 'vote of confidence' in the extensive consultation process conducted prior to the public consultation process.

## 3. Matters consulted versus Rule change proposal

The Rule change proposal submitted by AEMO to the AEMC differs from that published on 14 February 2011 and on which submissions were sought from the public. Changes have been proposed in response to the submission received to the parallel consultation on associated changes to the STTM Procedures, to address the concerns raised and improve readability.

This section sets out the differences and their rationale.

### 3.1. Differences

The papers published for public consultation and the version submitted to the AEMC have minor variations. No variation is material or affects the objective of the Rule change proposal. They are:

- Attachment A: Rule change proposal
  - Changes have been made to clarify or emphasise the intent of the submission and to improve readability; and
  - Changes to Rule change proposal 4 – Contingency Gas have been made to reflect the findings of a legal review conducted as a result of a submission on a proposed change to the STTM Procedures. The objectives of the changes, to allow all STTM Users to offer and bid contingency gas while limiting the involvement of users who are taken to be STTM distributors [under rule 372A(3)(c)] in the decision-making process, are not affected. All that has changed is the approach being taken (i.e. the rule changes being proposed).
- Attachment B: Proposed Rule Changes

Consistent with the legal advice received, AEMO has modified its submission with regard to rules 372A(3), 435(2) and 436(2) and 439A. This is in response to concerns raised during the consultation on the associated changes to STTM Procedures. Minor changes to the Proposed Rule Changes are considered the most effective approach ensuring the objectives sought by the changes are delivered and the concerns raised are addressed.

AEMO has modified the Proposed Rule Changes to remove the general exclusion in rule 372A(3) and insert a specific exclusion in a new rule 439A. These modifications will ensure that Transmission connected STTM Users are able to make offers or bids for contingency gas and an event beginning on a Transmission connected STTM Users' system is not excluded from being a contingency gas trigger event, whilst appropriately precluding those Transmission connected STTM Users (i.e. deemed STTM distributors) from the decision making process on the need for and triggering of Contingency Gas.

Consequently, the originally proposed changes to rules 435(2) and 436(2), which removed the words "into the STTM distribution system or an STTM storage facility", are no longer needed and have been removed from the Proposed Rule Changes.