



INFORMATION

STTM Brisbane Hub

Final rule determination 15 September 2011

The key purpose of this rule is to reduce implementation and operational costs of the Short Term Trading Market (STTM) at the Brisbane hub.

The AEMC's final rule determination

On 15 September 2011, the Australian Energy Market Commission (AEMC) published its final rule determination, including a rule, for this rule change request. The rule will:

- allow the STTM to commence operation at Brisbane without imposing substantial additional implementation costs;
- increase the range of gas supply options for large Queensland gas users; and
- improve the reliability of gas supply and security of the gas system in Brisbane by allowing more large gas users to provide gas to the system at times of shortages.

Efficiency improvements proposed by this rule

STTMs are daily wholesale markets for trading natural gas. They operate at "hubs" between transmission pipelines and distribution networks. STTMs have been operating in Sydney and Adelaide since September 2010 and an STTM is scheduled to start operating in Brisbane from 1 December 2011.

There will be costs associated with the implementation of the STTM at Brisbane. These will fall onto AEMO as the market operator and participating gas businesses.

Gas pipeline operations in Brisbane are based on a day starting at 8:00am Australian Eastern Standard Time (AEST). However, the current STTM rules would change the operating day to start at 6:30am AEST. Changing this would impose substantial costs associated with upgrading metering infrastructure and IT systems.

Currently, Queensland consumers must contract with retailers to be supplied gas. This limits their supply options, especially for large consumers.

Under the current STTM rules, large gas users directly connected to the Roma to Brisbane Pipeline would not be able to provide gas to the system at times of shortages.

The Rule allows:

- the STTM to start operating at Brisbane retaining the current operational day;
- gas users to contract their supply of gas directly with gas producers and pipelines; and
- large gas users directly connected to the Roma to Brisbane Pipeline to provide gas to the system at times of shortages.

This rule will allow the short term trading market at the Brisbane hub to operate more efficiently, in particular by reducing implementation and operational costs.

Background to the Short Term Trading Market

STTMs are daily wholesale markets for trading natural gas. They operate at “hubs” between transmission pipelines and distribution networks. STTMs have been operating in Sydney and Adelaide since September 2010 and an STTM is scheduled to start operating in Brisbane from 1 December 2011.

All gas flowing along transmission pipelines is traded through STTMs at hubs before being consumed in the Sydney and Adelaide metropolitan areas. Similarly, all gas flowing through the Roma to Brisbane Pipeline for consumption in metropolitan Brisbane will be traded through the Brisbane STTM.

The Australian Energy Market Operator (AEMO) operates the STTMs. However, STTM participants physically flow the gas through the pipelines.

Once each day, at each STTM hub, AEMO determines which STTM participants should sell gas into, and buy gas from, the STTM. Retailers buy gas from the STTM on behalf of residential, commercial, and most industrial consumers and some large gas users may buy gas directly from the STTM. AEMO seeks to meet the total forecast demand for gas at least cost.

The operation of the STTM by AEMO is governed by the National Gas Rules (NGR). Changes to the NGR affecting the STTM can be proposed by any person, business or government.

The AEMC assesses proposed changes to the NGR against the National Gas Objective, which is an economic test focussed on the long term interests of consumers of natural gas.

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