



Brisbane hub participant compensation fund

Consultation starts on rule change request 17 January 2013

The AEMC has started consultation under an expedited process on a rule change request from the Australian Energy Market Operator (AEMO) which seeks to increase the dollar amount for the participant compensation fund in relation to the short term trading market Brisbane hub.

Details of the rule change request

AEMO considers that the amount specified for the Brisbane hub participant compensation fund (PCF) in the current National Gas Rules is too small as it does not reflect the size of the Brisbane market.

The current PCF amount was based on forecasts of the distribution connected retail load and did not include the transmission connected industrial load. Because total gas withdrawals for all Brisbane hub users (that is, distribution connected and transmission connected users) are almost five times higher than originally forecast, there is potential for scheduling error costs to be greater than the amount covered by the PCF.

AEMO is seeking to amend the rules so that the Brisbane hub PCF amount is increased from \$100,000 to \$450,000, which AEMO believes better reflects the size of the Brisbane market.

Expedited process

AEMO has requested that the rule change request be assessed under an expedited process as set out in s. 304 of the National Gas Law (NGL). This process allows requests that are perceived to be non-controversial to be considered within a shorter time frame. In the NGL, a non-controversial rule is defined as "a rule that is unlikely to have a significant effect on a market for gas or the regulation of pipeline services".

Under an expedited process, no draft rule determination is published and the Commission has six weeks from the initiation of the rule change to publish a final rule determination.

Consultation process

The Commission is now initiating the consultation process on this rule change request. The Commission has commenced an expedited process in assessing this rule change request. However, stakeholders have the opportunity to object against using an expedited process for this rule change request.

The deadline for submitting objections to the expedited process is 31 January 2013.

The AEMC has published a consultation paper on the request to facilitate stakeholder submissions.

Copies of the request and the consultation paper are available on the AEMC website.

The deadline for submissions to the consultation paper is 14 February 2013.

Background

The short term trading market (STTM) is the trading market for natural gas at the wholesale level, currently operating at established hubs in Adelaide, Brisbane and Sydney. The STTM is a day-ahead trading market where shippers submit offers to supply gas to the hub and users submit bids to withdraw gas from the hub.

On the basis of bids and offers, AEMO determines a market price and draws up market schedules detailing the quantity of gas to be flowed the next day. Typically, the quantity of gas that shippers and users actually supply to or withdraw from the hub on the gas day itself differs from the quantity nominated and scheduled for that day.

Stakeholders have until 31 January 2013 to submit objections to the expedited process for this rule change request.

Submissions on the consultation paper are due 14 February 2013.

If this difference can't be made-up by normal STTM mechanisms, then AEMO can call on contingency gas to safeguard the continuity of supply. In such circumstances, AEMO schedules gas from trading participants who have made bids and offers for contingency gas.

If AEMO makes an error in scheduling (either in the day-ahead market or for contingency gas) which results in a trading participant being scheduled out of merit order, then the trading participant is entitled to be compensated for losses incurred.

Compensation is paid out by AEMO from a participant compensation fund (PCF) and the total amount payable is capped by the balance of the PCF. The PCF is a co-insurance scheme which is funded by trading participants and is managed by AEMO. There are separate PCFs established for the Adelaide, Brisbane and Sydney hubs.

For information contact:

AEMC Director, **Meredith Mayes** (02) 8296 7800
AEMC Adviser, **Trevor Johnston** (02) 8296 7800

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

Date: 17 January 2013