



INFORMATION

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Removal of force majeure provisions in the Victorian gas market

Publication of final rule determination and final rule

The Australian Energy Market Commission has made a rule that removes force majeure provisions from the National Gas Rules for the Victorian declared wholesale gas market. The rule clarifies for market participants how unexpected events and market stress can be managed.

Final rule

The Commission has made a final rule to remove participant force majeure and system force majeure provisions from the National Gas Rules (NGR) for the Victorian declared wholesale gas market (DWGM). These provisions were originally designed to act as a mechanism for managing supply disruptions and market stress. Their removal will allow the NGR to more accurately and clearly reflect the current market design, facilitating more accurate decision making and appropriate risk management practices.

The final rule will also define the cumulative price threshold (CPT) in the NGR. This change highlights and clarifies the role of the CPT as the main trigger of an administered price cap (APC) in the Victorian DWGM.

The Australian Energy Market Operator (AEMO) will be required to specify, in the administered pricing procedures, the process by which it will consult with market participants on the approach to determining the APC and the CPT.

Redundant rules relating to the obligations on AEMO and market participants with respect to scheduling instructions will be removed.

This rule implements the proposal submitted by AEMO.

Commission's reasons

The final rule will provide market participants with greater clarity on how the market can manage unexpected events and market stress, allowing for more timely and efficient decision making and prices more accurately reflecting market conditions.

By removing force majeure provisions, market participants will no longer be able to require AEMO to decide whether to declare system force majeure, and thereby trigger an APC, in times of market stress. This aligns the incentives market participants face with the market design, encouraging market participants to be financially responsible for their actions.

The rule will remove the subjectivity and discretion involved in the decision on whether to declare system force majeure, which will allow market participants to better understand the parameters of the market.

Other clarifications to the NGR will also improve administrative efficiency by allowing the rules to more concisely set out their intended functions.

Commencement date

The final rule commences on 4 May 2015.

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