



Gas STTM Brisbane Hub

Draft Rule Determination 23 June 2011

The key purpose of this draft rule is to reduce implementation and operational costs for the Brisbane Short Term Trading Market in natural gas. Submissions on the draft rule determination are due by 4 August 2011.

The AEMC's draft rule determination

On 23 June 2011, the Australian Energy Market Commission (AEMC) published its draft rule and draft rule determination for this Rule change request. The draft rule would:

- allow the short term trading market (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 draft 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 at Brisbane in late 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. However, the current STTM rules would change the operating day to start at 6:30am. 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 draft 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 draft rule will allow the Brisbane short term trading market operate more efficiently by reducing implementation and operational costs.

Background to the Brisbane 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 at Brisbane in late 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.

AEMC Chief Executive, **Steven Graham**

Media: AEMC Communication Manager, Prudence Anderson (02) 8296 7880 and 0404 821 935

23 June 2011