



Australian Energy Market Commission

CONSULTATION PAPER

National Gas Amendment (Contingency Gas Evidentiary Changes) Rule 2014

Rule Proponent

Australian Energy Market Operator (AEMO)

6 November 2014

For and on behalf of the Australian Energy Market Commission

**RULE
CHANGE**

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About the AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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1 Introduction

On 20 May 2014, the Australian Energy Market Operator (AEMO or proponent) submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission) in relation to contingency gas. This rule change request seeks to amend the National Gas Rules (NGR or rules) to facilitate proposed revisions to the contingency gas confirmation and settlement processes in the Short Term Trading Market (STTM) Procedures. AEMO stated that the changes are intended to improve incentives for trading participants to supply and efficiently price contingency gas by lowering financial risks through more flexible arrangements for confirming supply.

The process that led to this rule change request being submitted was instigated by BP in 2011, who submitted a proposal to the STTM Consultative Forum (STTM-CF). AEMO has developed the original proposal into this rule change request, in consultation with the STTM-CF. This rule change request explains that AEMO intends to consult on changes to the STTM Procedures (Procedures) to give full effect to the proposed new arrangements for contingency gas offers or bids and evidentiary requirements.

This consultation paper has been prepared to facilitate public consultation and assist stakeholders in providing submissions on the changes to the NGR proposed by AEMO in the rule change request. It should be read in conjunction with AEMO's rule change request, which is available on the AEMC's website.

This paper:

- sets out the background to, and a summary of, the rule change request;
- sets out our proposed assessment framework;
- identifies a number of questions to facilitate consultation on this rule change request; and
- outlines the process for making submissions.

Submissions on this consultation paper are due by 4 December 2014.

2 Background

This rule change request relates to the way contingency gas is confirmed and the evidentiary requirements regarding the delivery of contingency gas. To provide some context to this rule change request, this chapter provides background information on the purpose of contingency gas, the current process for confirming contingency gas, and the current evidentiary requirements for resettlement of contingency gas.

2.1 Contingency gas

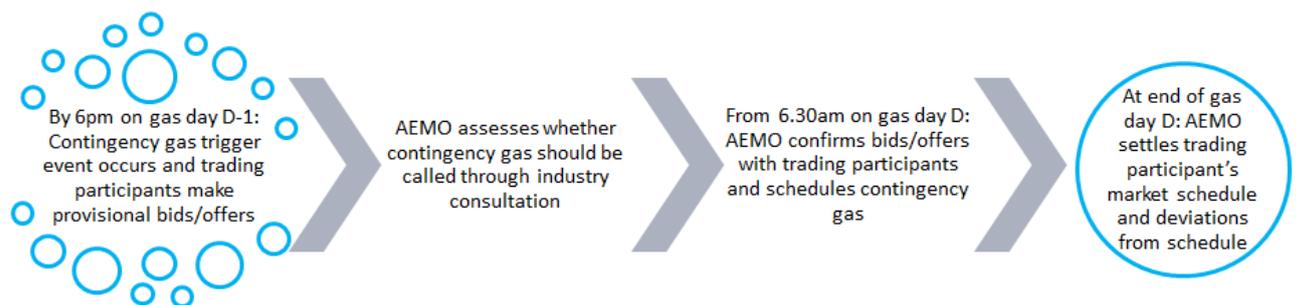
Contingency gas can be considered to be an emergency mechanism that operates in the STTM. AEMO may call upon this gas in order to balance physical supply and demand at a hub if normal STTM mechanisms (such as the Market Operator Service (MOS)) are unlikely to achieve this balance. For instance, contingency gas might be sought to increase supply and reduce demand, where there is an under-supply. If there is an over-supply, then contingency gas could be used to reduce supply and increase demand. Therefore, the use of contingency gas avoids the need to involuntarily curtail STTM Shippers supplying the hub or STTM Users withdrawing at the hub.

Contingency gas is expected to be rarely needed. To date, contingency gas has never been scheduled in the STTM.

2.2 Contingency gas process

This section provides an overview of the contingency gas process, which is summarised in Figure 2.1 below.

Figure 2.1 Overview of the contingency gas process



2.2.1 Trigger for contingency gas and provisional offers and bids for contingency gas

Trading Participants, STTM distributors and STTM facility operators are required to notify AEMO of potential contingency gas trigger events that they become aware of.¹

¹ NGR rule 440(1) provides a list of different circumstances that would give rise to a contingency gas trigger event.

AEMO then conducts an assessment of this event to determine whether contingency gas should be called, which includes an industry consultation process.²

At this point, AEMO may request trading participants to make provisional offers or bids for contingency gas on gas day D at any time up to 1800 hrs on day D-1.³ For instance, offers can be made by STTM Shippers to increase the supply of gas to the hub, or by STTM Shippers and Users to reduce withdrawals from the hub.⁴ Bids can be made by STTM shippers to reduce supply to the hub, or by STTM Shippers and Users to increase withdrawals from the hub.⁵

Under the current Procedures, trading participants' provisional offers or bids for contingency gas are provided in the form of an offer or bid stack, which is arranged by price (merit order) and can comprise up to ten price steps.⁶ The trading participant is required to indicate the total provisional quantity of contingency gas available that makes up this stack.⁷

2.2.2 Confirmation and scheduling of contingency gas

Following AEMO's industry consultation process, AEMO must determine whether contingency gas is required and should be called.⁸ If contingency gas is required, AEMO must confirm with trading participants, who submitted their provisional offers or bids for contingency gas, the actual quantity of contingency gas that they expect to be available at the required time.⁹

Under clause 9.4.1 of the Procedures, trading participants can only confirm the total quantity of contingency gas that they expect to be available. The price steps for their offers or bids cannot be modified. For instance, if the trading participant's total quantity of contingency gas available is reduced between the period it made and confirmed its provisional offer or bid, the most expensive quantity in the stack will be reduced. This is illustrated in Figure 2.2 below.

2 NGR rules 441-443.

3 NGR rules 435(6) and 436(6).

4 NGR rule 435.

5 NGR rule 436.

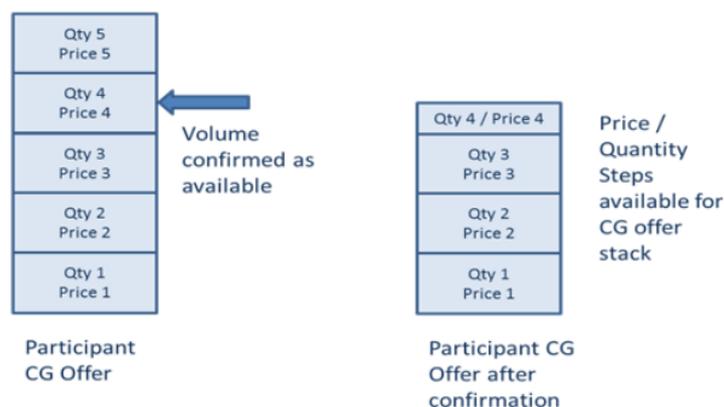
6 STTM Procedures clauses 9.1.1(a) and 9.1.2(a).

7 STTM Procedures clauses 9.1.1(b) and 9.1.2(b).

8 NGR rule 444.

9 NGR rule 445.

Figure 2.2 Current confirmation process for contingency gas



Source: AEMO, Rule change request, 20 May 2014, p. 3.

Once AEMO has confirmed the trading participants' actual quantity of available contingency gas, AEMO then schedules the confirmed contingency gas.¹⁰ The trading participants' offers are scheduled in order of increasing cost for supply shortfall, and bids in order of decreasing price for supply surplus.¹¹

2.3 Settlement and resettlement of scheduled contingency gas

2.3.1 Evidentiary requirements for the resettlement of scheduled contingency gas

Contingency gas is currently paid or charged, as scheduled, based on a trading participant's offer or bid. To account for actual contingency gas that was delivered by an STTM User, STTM Users are required to provide reasonable evidence of the quantity of contingency gas that it delivered on that gas day within 40 business days of that date.¹² However, AEMO considers this information is only able to be used through a dispute resolution process, and that there is no other means to adjust a trading participant's settlement amount to account for non-delivery of contingency gas.

2.3.2 Reporting requirements for reviewable events

AEMO is required to report on the contingency gas trigger event, and (if applicable) the scheduling and provision of contingency gas in relation to that contingency gas trigger event, within 30 business days after that event. Such events are referred to as a "reviewable event".¹³

¹⁰ NGR rule 446.

¹¹ STTM Procedures clause 9.4.2.

¹² See NGR rule 449(2). This requirement does not extend to STTM Shippers. This issue is discussed in section 5.2.2.

¹³ NGR rule 497(2)(b).

AEMO considers that information provided by trading participants on the delivery of contingency gas would be relevant in relation to its reports on the contingency gas trigger event, and scheduled and delivered contingency gas. However, since STTM Users are only required to submit information within 40 business days of a reviewable event, this information cannot currently be used to inform the report.

3 Details of the rule change request

This chapter sets out:

- the issues that the rule change is seeking to address;
- the proposed rules that AEMO considers would address its identified issues;
- AEMO's rationale for its proposed rules; and
- additional information relevant to the rule change request.

3.1 Issues this rule change seeks to address

In the rule change request, AEMO has identified two key issues with respect to the NGR for contingency gas:

1. The NGR do not specifically allow trading participants to confirm quantities of contingency gas within specific price steps, and the good faith provision covering the confirmation of contingency gas currently only applies to the total quantity of contingency gas.¹⁴
2. AEMO is unable to accurately resettle contingency gas because the current evidentiary requirements for scheduled contingency gas are limited.

3.1.1 Structure of contingency gas offers and bids

In practice, a trading participant may link each of its price steps to individual sources of contingency gas. For example, a trading participant may be a retailer with multiple customer curtailment contracts, or have a plant with multiple plant parts or processes that can be withdrawn or shut down. Consequently, each price step is inherently linked to the quantity for that step.

However, when AEMO seeks confirmation of a trading participant's contingency gas, the Procedures only allow the trading participant to confirm the total quantity of contingency gas – rather than individual quantities in each price step.¹⁵ Therefore, if an individual source of contingency gas is no longer available at the confirmation stage, the trading participant bears the cost of a lower price for some proportion of the contingency gas. To mitigate this risk, the trading participant could inflate its prices or not make contingency gas available from a more expensive source. AEMO considers that this leads to inefficient prices for contingency gas, and reliability and security issues.

¹⁴ For the purpose of more accurate and cost reflective pricing, AEMO intends to amend to its Procedures to allow trading participants to confirm specific price steps within the total quantity of contingency gas.

¹⁵ See section 2.2.2.

While the NGR do not preclude the Procedures from allowing trading participants to confirm individual price steps, the NGR do not explicitly allow for this. Further, the current good faith provision under the rule 445(2)(a) only applies to information provided by a trading participant to AEMO associated with the confirmation (and scheduling) of the *total quantity* of contingency gas. AEMO considers that this good faith provision does not cover the scenario where the trading participant provides information associated with the confirmation (and scheduling) of the *specific price steps* of contingency gas.

3.1.2 Evidentiary requirements for the resettlement of scheduled contingency gas

AEMO considers that there are limitations in the NGR regarding the provision and use of evidence of the delivery of contingency gas. These limitations are as follows:

- **Timing of the delivery of contingency gas:** The requirement to provide evidence under the current rule 449(2) of the NGR does not include the time contingency gas was delivered – only evidence of the quantity that was provided on the gas day is required. AEMO is unable to determine whether a trading participant's contingency gas was delivered at the required time to alleviate the contingency gas event.
- **Lack of clarity on evidence required:** AEMO considers that the NGR only allows for contingency gas costs to be resettled through a dispute resolution process. While changes to resettlement could occur through modifications to the Procedures, AEMO considers that there is a broader issue of clarity in the evidentiary requirements that changes to the Procedures could not address. This includes a lack of guidance on what evidence is required from STTM Users.
- **Inconsistencies between STTM Shippers and Users:** STTM Shippers may provide contingency gas. However, the current evidence provisions only apply to STTM Users, while STTM Shippers are not subject to any resettlement requirements. This results in inequitable obligations between STTM Users and Shippers, and makes it difficult to resettle contingency gas for STTM Shippers.
- **Timing of AEMO's reporting process:** Trading participants' evidence of delivered contingency gas is required to be supplied within 40 business days (under rule 449(2) of the NGR). This timing does not align with AEMO's reporting process of 30 business days after a contingency gas event (under the current rule 497(1)).

3.2 Proposed rules

To address the issues identified above, AEMO has proposed changes to Part 20 of the NGR, as well as a number of proposed changes to the Procedures. The rule change request includes a proposed rule. A summary of the proposed rules is discussed below.

3.2.1 Confirmation of contingency gas

AEMO is seeking an amendment to the NGR so that trading participants can confirm or revise individual quantities of gas in specific price steps within a contingency gas offer or bid, rather than just the total quantity, and so that they must provide information in good faith when doing so. That is, the proposed rule would require an amendment to rule 445(2)(a) so that reference is made to the confirmation (or revision) of *specific price steps* within the trading participant's contingency gas offer or bid.¹⁶ Read in conjunction with rules 445(2)(b)-(c) and 445(3), the trading participant must provide information relating to its confirmed price steps to AEMO in good faith.

3.2.2 Shifting the evidentiary requirements for scheduled contingency gas

AEMO proposes an amendment to evidentiary requirements in the NGR so that the detail on the provision of information on contingency gas is shifted from the NGR to the Procedures. AEMO also proposes that the requirement to give evidence to AEMO be expanded to apply to all trading participants under rule 449(2) of the NGR; that is, it would include STTM Shippers as well as STTM Users.

Associated with this, AEMO also seeks the ability to extend the time required for it to publish its report relating to the contingency gas trigger event under rule 497(1) of the NGR. This would allow AEMO to take into account the trading participant's evidence in its report.

3.2.3 Secondary rule changes

In addition to its key proposed rule changes, AEMO proposes that the reference to "STTM storage facilities" be removed (in all instances) from rules 435 and 436 of the NGR, which currently refer to STTM Users making offers or bids from STTM storage facilities. It considers that this is a drafting error in the NGR, given that STTM Users do not make offers or bids from such facilities.

3.3 Rationale for the proposed rules and Procedures

AEMO's rationale for the proposed changes to the NGR, as set out in its rule change request, can be summarised as follows:

- Providing flexibility for a trading participant to confirm or revise quantities of contingency gas in specific price steps and requiring the trading participant to provide information in good faith would enable a Procedure change, which is intended to:
 - allow a trading participant to align its specific offers or bids with its costs where it has multiple sources of contingency gas; and

¹⁶ Currently, NGR rule 445(2)(a) only refers to "confirm or revise the **quantity** of contingency gas specified in its contingency gas offer or contingency gas bid". (Emphasis added.)

- mitigate the likelihood of the trading participant inflating its prices or withholding more expensive contingency gas – this in turn would lead to efficient prices, more demand-side aggregation, and improved reliability and security of supply of gas.
- Extending and expanding the evidentiary requirements for the purposes of resettlement of scheduled contingency gas to all trading participants would provide confidence to trading participants that they are paying for legitimately delivered contingency gas (and that the confirmation process for contingency gas is not being gamed), which would reduce their trading risks.

4 Assessment framework

The AEMC's assessment of this rule change request must consider whether the proposed rule is likely to contribute to the National Gas Objective (NGO). The NGO is set out under section 23 of the National Gas Law (NGL) as follows:

“The objective of this Law is 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.”

Based on a preliminary assessment of this rule change request, the relevant aspect of the NGO is the efficient operation and use of natural gas services with respect to price, reliability and security of supply of natural gas. To determine whether the proposed rule, if made, is likely to promote the NGO, the following matters may be considered as part of the AEMC's assessment of the rule change request:

- whether the proposed revisions will lead to more efficient pricing of contingency gas, with consequent improvements in the use of contingency gas facilities and benefits for the reliability and security of supply;
- whether the evidentiary requirements in the NGR provide sufficient accountability and transparency for all trading participants; and
- whether there is an appropriate balance between flexibility for AEMO to amend pricing and evidentiary requirements for the provision of contingency gas, and certainty for trading participants. For instance, consideration will be given on whether certain provisions should be contained in the NGR or Procedures.

In assessing the request against the NGO, the likely long term costs and benefits of the proposed rule will be compared to the counterfactual of not making the proposed changes to the NGR.

This assessment framework may be reviewed following the receipt of submissions.

Efficient pricing of contingency gas

In assessing the rule change request, regard will be given to whether the proposed rule changes are required to give effect to the proposed changes to the STTM Procedures.

If so, the proposed rule change will be assessed on whether it will enable the development of STTM Procedures that lead to the more efficient pricing of contingency gas, with consequent improvements in the efficient use of contingency gas facilities. In doing so, we note that the resulting changes to the STTM Procedures may or may not be consistent with those that have been proposed by AEMO as part of this rule change request.

Consideration will be given to whether:

- The proposed change to NGR 445 has the potential to give participants the ability structure their offers and bids for contingency gas in a way that reflects the value of that gas (subject to AEMO's Procedures changes).
- The ability to structure offers and bids in a way that better reflects the value of the contingency gas may increase the willingness to supply. Participants may have increased certainty that they will be paid at least their offer for quantities of contingency gas in higher bands.
- The potential increase in willingness to supply may improve the efficient use of contingency gas facilities, through the offering of facilities that otherwise would have been withheld – including demand-side aggregation.
- An increased willingness to supply may promote reliability (there is enough gas to meet demand) and security (the system can be operated securely) during a contingency event.
- Pricing that is more reflective of value may allow more efficient use of the natural gas system because it allows trade-offs to be made that reflect actual resource implications. The value of the contingency gas to the supplier or user includes the opportunity cost of using that gas for a different purpose, for example, in production in an industrial plant.

Accountability and transparency

Consideration will also be given to the effect of the proposed rule changes on the efficient operation of the STTM. In particular, consideration will be given to whether the proposal imposes appropriate accountability and transparency requirements in relation to:

- the provision of information in good faith when confirming specific price steps for contingency gas; and
- requirements for providing evidence of contingency gas delivery.

Consideration may be given to the following:

- whether it is necessary and/or appropriate that the confirmation of quantities within price steps come under the umbrella of existing good faith requirements;
- whether the proposed changes to the evidentiary requirements and resettlement processes will increase confidence that participants are paying for legitimately supplied contingency gas and that contingency gas is competitively priced; and
- whether the increased confidence will decrease trading risk and so potentially decrease the cost of the contingency gas service, resulting in improved operational efficiency of the STTM for the benefit of consumers.

Balancing flexibility and prescription

The proposed amendments to the NGR have to be assessed on their own merits. However, given that the amendments have been proposed to facilitate changes to the Procedures, account will be taken of the intended relationship between the NGR and the Procedures when the STTM was created:¹⁷

“Under the conceptual framework for the STTM legislation ... the NGR will contain the detail of the market operation and the STTM Procedures will include the more detailed process requirements involved in NGR obligations and address lower level technical and administrative matters.”

Regard will be given to whether, and to what extent, the NGR should specify the criteria, methodologies and process to be applied by AEMO, compared to the level of discretion that AEMO should have over those matters in properly performing its functions. This requires finding a balance between an appropriate level of prescription in the NGR that would promote certainty and stability of regulatory outcomes as well as transparency of approach, with a level that provides AEMO with adequate flexibility and ability to accommodate particular circumstances in operational decision making. Within this framework, it may be appropriate for the NGR to set some parameters that limit the extent to which detailed matters can be further specified in the Procedures.

Sufficient prescription in the NGR promotes a degree of certainty with regard to market operations. This should help to promote market participation (including investment) by giving participants confidence that the fundamental market mechanisms will remain stable, or change can only occur through a transparent, consultative process that must demonstrate contribution to the NGO. Sufficient flexibility allows AEMO to change Procedures that do not have significant commercial implications without the administrative expense of a rule change, contributing to efficient market operation.

¹⁷ Explanatory Material on the Draft Short Term Trading Market Rules, 2009, p.2.

5 Issues for consultation

Taking into consideration the assessment framework set out in chapter 4, a number of issues have been identified for consultation that appear to be relevant to this rule change request.

These issues are outlined below and are provided for guidance only. Stakeholders are encouraged to make written submissions to the AEMC on these issues, as well as any other relevant aspects of the rule change request or this paper, including the proposed assessment framework.

5.1 Confirmation of specific price steps for contingency gas – rule 445

AEMO has proposed changing rule 445(2)(a) of the NGR, which sets out the confirmation process for contingency gas. The purpose of the change is to provide trading participants with greater flexibility in the way in which they structure their contingency gas offers and bids in a way that reflects the value of gas to them.

The way in which offers and bids for contingency gas are submitted and confirmed is set out in the Procedures. Consequently, it is not clear that a change to the Procedures to provide trading participants with greater flexibility necessarily requires a change to the NGR.

However, amending rule 445(2)(a) would give trading participants greater clarity that they have the flexibility to confirm specific price steps as well as the total quantity of contingency gas that they are able to provide, assuming that the Procedures are changed accordingly.

The proposed rule change would also clarify that information provided to AEMO to confirm specific price steps is done so under the existing good faith provision.¹⁸

The current good faith provision imposes an obligation on trading participants to provide the following information to AEMO in good faith: the timeframe in, and location at, which the contingency gas can be made available;¹⁹ and any other information required by AEMO for the purposes of scheduling contingency gas, as specified in the Procedures.²⁰

The latter requirement is a general requirement on trading participants to provide information in good faith. Consequently, as with proposed changes to the structure of offers and bids, it is not clear that the proposed rule change is required or whether AEMO's proposed changes to the confirmation process can be implemented through Procedures changes only. This would rely on the general provision under rule

¹⁸ The good faith provision referred to in this context is rule 445(3) of the NGR. This subrule is classified as a conduct provision and civil penalty provision under the National Gas (South Australian) Regulations.

¹⁹ NGR rule 445(2)(b).

445(2)(c). However, AEMO's proposal to include confirmation of price steps within the associated rule 445(2)(a) may provide greater clarity for trading participants.

If changes to the NGR are required, consideration will be given to whether the proposed changes will have the desired effect of improving the competitiveness of the pricing of contingency gas and increasing willingness to supply contingency gas. In doing so, consideration will be given to whether an alternative solution might better promote the NGO. Chapter 4 sets out the specific issues that will be considered.

Question 1	Is there a problem with the way in which the current rules under the NGR are drafted that prevents AEMO from amending the confirmation process for contingency gas to provide for more effective outcomes? In other words, do the rules limit the ability of trading participants to confirm specific price steps for contingency gas?
Question 2	Will the proposed change to rule 445 of the NGR better promote the NGO than existing arrangements by enabling Procedures to be developed that provide trading participants with greater flexibility in the way they confirm their contingency gas offers and bids? Specifically, would the proposed change promote more competitively priced contingency gas and greater availability of contingency gas? Would any alternative solution better promote the NGO?

5.2 Information about contingency gas – rule 449

Rule 449 of the NGR sets out the information that trading participants are required to provide to AEMO regarding scheduled contingency gas. Specifically, the rule sets out what evidence must be provided and over what timeframe (that is, reasonable evidence must be provided of the quantity of contingency gas provided on the relevant gas day within 40 business days of that day).

AEMO is proposing two changes to rule 449. The first seeks to shift the specification of the nature and timing of evidence required from the NGR to the Procedures. The second change extends the requirement to provide evidence to all trading participants – not just STTM Users, as is currently the case. These issues are explored in further detail below.

It is noted that, in the Procedures, AEMO proposes to provide further details on the nature and timing of evidence required from trading participants. AEMO also intends to detail how it would use the trading participant's evidence for the purposes of resettlement of scheduled contingency gas.

20 NGR rule 445(2)(c).

5.2.1 Nature and timing of evidence of delivered contingency gas

AEMO proposes to give effect to its proposed changes by, among other things, shifting the specification of the evidence requirements and associated timeframes from the NGR to the Procedures. A new provision would then be introduced in the NGR, requiring AEMO to have regard to any evidence, in accordance with the Procedures, in determining the quantity of contingency gas provided by a trading participant. Together with its intended changes to the Procedures, AEMO considers that its proposed changes to the NGR would address its issues relating to current data being required of, and provided from, STTM Users (as discussed in section 3.1.2).

This approach raises a question of how much discretion should be given to AEMO to gather information from trading participants. As discussed in chapter 4, broadly, the NGR is intended to cover market operation, and the Procedures are intended to include the more detailed process requirements, and lower level technical and administrative matters. There should be a balance between certainty and stability for trading participants, and flexibility for AEMO.

Requiring trading participants to submit evidence of "(a) the provision of contingency gas on that gas day; and (b) any other matter specified in the STTM Procedures" appears to give a high degree of flexibility to AEMO to determine the evidentiary requirements. While changes to the Procedures are subject to consultation, ultimately, AEMO may make Procedures if it is satisfied that the Procedures are consistent with the NGL and NGR and are appropriate, having regard to the NGO, compliance costs and any principles in the NGR that are applicable to the relevant Procedures.²¹

Stakeholder views are welcomed on whether the proposed changes to rule 449 strike an appropriate balance between certainty and stability for trading participants, and flexibility for AEMO, or whether the NGR should contain greater prescription on the type of evidence that trading participants should be required to provide regarding the provision of contingency gas. Alternatively, the NGR could set out principles that AEMO would be required to have regard to in specifying the evidentiary requirements in the Procedures.

If stakeholders consider the NGR should contain greater prescription on the type of evidence required, views are welcomed on the nature and scope of the evidentiary requirements. For example, this could include:

- the quantity of contingency gas delivered by the trading participant;
- the location that the contingency gas was delivered;
- the period of time that the gas was delivered; and
- the time that when the trading participant must provide evidence to AEMO of delivered contingency gas.

²¹ NGR rule 135EB(1).

Question 3	Do AEMO's proposed changes to rule 449 of the NGR strike an appropriate balance between certainty and stability for trading participants, and flexibility for AEMO?
Question 4	Should greater prescription be set out in the NGR, either through: a set of principles that AEMO must have regard to in making the Procedures in respect of evidentiary requirements for contingency gas; or setting out the requirements themselves in the NGR? If so, what is the appropriate nature and scope of the evidentiary requirements to be set out in the NGR?
Question 5	How would AEMO's proposed changes, or any other changes, to rule 449 of the NGR enhance the NGO?

5.2.2 Extending evidentiary requirements to STTM Shippers

Currently, rule 449(2) of the NGR requires STTM Users to provide evidence to AEMO in relation to delivered contingency gas. However, STTM Shippers can also participate in the provision of contingency gas. AEMO considers that this means that this evidentiary requirement cannot equally apply to STTM Shippers.

For this reason, AEMO seeks to extend the applicability of the evidentiary requirements to STTM Shippers. It considers that such a change would: recognise that STTM Shippers also provide contingency gas; allow for a consistent approach to resettlement of contingency gas; and provide confidence to the market that contingency gas is being legitimately paid for by all trading participants.

Using this evidence from all the trading participants, AEMO intends to specify a new mechanism in the Procedures for the resettlement of contingency gas. However, this matter is outside the scope of this rule change process.

Stakeholder views are sought on whether extending evidentiary requirements to all trading participants is likely to enhance the NGO. While this may impose some compliance costs on STTM Shippers that they do not currently incur, the NGO may be enhanced by improving the operation of the STTM. This would be achieved by enabling any entity whose contingency gas offer or bid is scheduled to be appropriately remunerated.

Question 6	How would the NGO be enhanced if evidentiary requirements for contingency gas were extended from STTM Users to all trading participants? Would any benefits outweigh any additional compliance costs?
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5.3 Reporting on contingency gas events – rule 497

As discussed in section 2.3.2, AEMO is required to report on contingency gas events (contingency gas trigger events, and (if applicable) the scheduling and provision of contingency gas in relation to that contingency gas trigger event) within 30 business days of the event occurring. AEMO considers that it would not be able to take into account any evidence provided by STTM Users by the time it is required to publish its report. To address this concern, AEMO proposes to establish a more flexible mechanism that would allow it to delay this report by a further 30 days if required. AEMO notes that the amendment would also allow for settlements to be adjusted once data has been provided and analysed.

Stakeholder views are sought on whether this approach is likely to improve administrative efficiency and/or the operation of the STTM. Conversely, views are welcomed on whether there are any associated costs with permitting AEMO to extend its reporting timeframe.

Question 7 **Would allowing AEMO to extend its reporting timeframe on contingency gas events enhance the NGO? If so, how? Are there any costs associated with a delay in publishing the report?**

5.4 Secondary rule changes – rules 435 and 436

AEMO proposes two additional "secondary" rule changes as part of this rule change request. AEMO considers that there is an error in drafting under rules 435 and 436 of the NGR, where STTM Users are being linked to bids or offers for storage facilities. It considers that STTM Users do not make bids or offers for such facilities. Therefore, it proposes that references to "storage facilities" under rules 435 and 436 be deleted.

Question 8 **Do you agree with AEMO's proposed deletion of the references to "storage facilities" in rules 435 and 436 of the NGR?**

6 Lodging a submission

The AEMC has published a notice under section 303 of the NGL for this rule change request, inviting written submissions. Submissions are to be lodged online or by mail by 4 December 2014, in accordance with the following requirements.

Where practicable, submissions should be prepared, in accordance with the AEMC's Guidelines for making written submissions on rule change requests.²² The AEMC publishes all submissions on its website, subject to a claim of confidentiality.

All enquiries on this project should be addressed to Charles Hoang on (02) 8296 7800.

6.1 Lodging a submission electronically

Electronic submissions must be lodged online via the AEMC's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code "GRC0028". The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Upon receipt of the electronic submission, the AEMC will issue a confirmation email. If this confirmation email is not received within three business days, it is the submitter's responsibility to ensure the submission has been delivered successfully.

6.2 Lodging a submission by mail

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated. The submission should be sent by mail to:

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Or by Fax to (02) 8296 7899.

The envelope must be clearly marked with the project reference code: GRC0028.

Except in circumstances where the submission has been received electronically, upon receipt of the hardcopy submission, the AEMC will issue a confirmation letter.

If this confirmation letter is not received within three business days, it is the submitter's responsibility to ensure successful delivery of the submission has occurred.

²² This guideline is available on the AEMC's website.

Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
Commission	See AEMC
MOS	Market Operator Service
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
Procedures	STTM Procedures
proponent	See AEMO
rules	See NGR
STTM	Short Term Trading Market
STTM-CF	STTM Consultative Forum