



East Coast Gas System Guidelines

Final Decision

Published: 13 June 2023

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New South Wales | Queensland | South Australia | Victoria | Australian Capital Territory | Tasmania | Western Australia

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1. Summary

This document sets out the Final Decision on the East Coast Gas System Guidelines (the **Guidelines**).

These Guidelines:

- relate to the implementation of the Minister initiated National Gas Amendment (East Coast Gas System) Rule 2023; and
- are required to be made within 3 months after the commencement of section 91AD of the National Gas Law (NGL), which was introduced by the National Gas (South Australia) (East Coast Gas System) Amendment Act 2023 and commenced on 27 April 2023.

2. Final Decision

AEMO has made its final decision on the East Coast Gas System Guidelines, which relate to the exercise or performance of AEMO's direction and trading the functions specified in sections 91AD(1)(e) and (f) of the NGL and to the convening of gas supply adequacy and reliability conferences by AEMO under Division 3 of Part 27 of the National Gas Rules (NGR).

The East Coast Gas System Guidelines are made up of the following Guidelines, which explain the processes to be undertaken by AEMO in response to an identified risk or threat to the reliability or adequacy of the supply of natural gas within the east coast gas system:

- Gas Reliability and Supply Adequacy Conference Guidelines
- Directions Guidelines
- Trading Guidelines

The East Coast Gas System Guidelines are attached in Appendix A, which include minor amendments made on the basis that terms in the glossary have been defined in Part 27 of the NGR or in the East Coast Gas System Procedures.

AEMO received 2 public submissions to the Draft Decision on the East Coast Gas System Guidelines. The submissions, and AEMO's response, are summarised in Appendix B.

3. Consultation process

The ECGS Guidelines have been consulted on according to Rule 8 of the National Gas Rules (NGR). AEMO has had specific regard to Rule 692(7) of the NGR which requires AEMO to consult with the ACCC and AER on the preparation of the Conference Guideline.

AEMO's consultation timeline, under rule 8 of the NGR, is outlined below.

Table 1 Consultation process and timeline

Consultation steps	Dates
Initiation of Consultation	16 March 2023
Submissions to Initiation close	6 April 2023
Draft Decision Published	24 April 2023
Submissions to Draft Decision close	16 May 2023
Final Decision	13 June 2023

4. Effective date

The effective date of the ECGS Guidelines is 27 June 2023.

Appendix A. ECGS Guidelines

Final and track changes of the East Coast Gas System Guidelines attached are made up of the following Guidelines:

- (a) Gas Reliability and Supply Adequacy Conference Guidelines
- (b) Directions Guidelines
- (c) Trading Guidelines

Appendix B. Summary of Submissions

AEMO received the following submissions in response to the Draft Decision.

B.1 Gas reliability and supply adequacy conference guidelines

Submitter	Submission Details	AEMO Response
APA	<p>3.4 Invitation to a conference (e)</p> <p>For the conference to be held at short notice or outside of business hours, APA suggests the SMS notification as a primary method, and an email as a secondary. Can AEMO clarify whether such notification will be sent to all participants' representatives registered under Part 27, or a separate 'emergency contact group'?</p> <p>The current draft of the guidelines doesn't include any commentary for the situation when the participant hasn't confirmed the receipt of the notice. Will there be any penalties imposed on the participant that failed to confirm the receipt?</p>	<p>This feedback is consistent with current processes. An SMS notification and email with the <i>conference notice</i> will be sent to the representatives of the <i>relevant entity</i> on the <i>Part 27 register</i>.</p>
APA	<p>3.5 Discussion at a conference (h) & (i)</p> <p>AEMO should be issuing the Market Information Notice (MIN) and/or a specific Facility Operator direction before requesting any confidential information disclosure from APA. In the absence of the MIN or specific direction, APA cannot provide any information that is classified as confidential.</p>	<p>Noted. Market sensitive and/or confidential information must not be discussed during a conference.</p> <p>We would like to draw attention clause 714(2) of the National Gas Rules which notes that:</p> <p>714 Information obtained or provided under this Part (2) A person must not refuse to comply with a requirement to provide information to AEMO under this Part on the ground of a duty of confidence.</p> <p>AEMO will look to utilise market information instruments if required.</p>

B.2 Directions guidelines

Submitter	Submission Details	AEMO Response
<p>APA</p>	<p>4.4 Principles AEMO may consider when giving directions</p> <p>(1) APA appreciates AEMO acknowledging and incorporating our earlier feedback around the recognition of the holder of the title to gas (Shipper) and the contract carriage consideration required for any direction to change the gas nomination, including new and existing nominations. APA would like to see the simultaneous release of the direction to the Shipper and Facility Operator reflected in Directions process diagram. The current flow of the diagram doesn't explicitly reflect the contract carriage approach.</p> <p>(2) From the steps described by AEMO that are to be followed prior to issuing the direction, we understand the facility operator may be given a direction 'to increase or decrease the flow of gas, or to specify what changes to current nominations can be accepted, i.e., to ensure subsequent directions are not impacted'.</p> <p>As indicated in point (1), Facility Operator cannot, in isolation from the Shipper and/or Producer, receive a direction that involves the gas nomination manipulation.</p> <p>For the direction to Facility Operator to accept (or not) the incoming nominations, APA's ability to accept or reject the new nominations outside of the current gas day is extremely limited. APA notes the AEMO concern that the intended direction might be impacted by incoming nominations in the interim period (before the direction issue), including a change of the physical flow direction to the affected location. To preserve particular flow direction, APA strongly recommends AEMO releases the direction to the market participants that communicates the impacted location and requests specific nomination behaviour instead of directing a Facility Operator only.</p>	<p>(1) The Guidelines clarify that AEMO will consider the title holder of the gas, not that directions will only be given to the title holder. The process for issuing directions is necessarily broad given the specific circumstances will inform the approach AEMO takes. .</p> <p>(2) A direction may be given directly to a facility operator, without a corresponding direction to a shipper or producer. AEMO may also give a direction to a facility operator regarding changes in operation, in the absence of giving those directions to the shippers.</p> <p>The Guidelines specify that AEMO may give <i>directions to BB shippers</i> to:</p> <ul style="list-style-type: none"> - Maintain existing facility nominations; - Increase/decrease existing facility nominations; and - Maintain, increase or decrease existing facility nominations across multiple <i>facilities</i>.

B.3 Trading guidelines

Submitter	Submission Details	AEMO Response
Origin	<p>As we stated in our earlier submission on the ECGS Guidelines, Origin has material concerns around the appropriateness of the Australian Energy Market Operator (AEMO) participating in a market it is responsible for operating.</p>	<p>Noted.</p>
Origin	<p>Provision of explanatory scenarios to illustrate how AEMO’s trading function will work in practice.</p> <p>In our earlier submission we outlined that it would be beneficial for AEMO to provide detailed examples of market situations that demonstrate when and how its trading function (and associated approaches) could be used. AEMO has noted that it is difficult to provide scenarios to assess what possible trading options would be available in the absence of a threat, but also later commented that, it sees merit in further developing scenarios. Given the trading function is a new intervention power that has the potential to introduce inefficiencies, diminish commercial incentives and give rise to significant market distortions, it is critical that AEMO’s trading activities are predictable and transparent. Participants and consumers will bear the cost of AEMO’s activities, and so need to be able to understand when and how AEMO will intervene in the market. Detailed examples / scenarios would help provide the necessary practical detail to accompany the high-level principles set out in the Guidelines, and have been adopted in other regulatory guidelines to assist with stakeholder understanding and compliance. We therefore remain of the view that practical examples should be developed for incorporation in the Guidelines.</p>	<p>We see merit in developing explanatory scenarios to illustrate how AEMO’s trading function will work in practice. These scenarios are being developed however will not be incorporated into the Guidelines.</p> <p>We note that AEMO may test scenarios and proposed responses to identified risk or threats in future working group meetings.</p>
Origin	<p>Explanation of how AEMO would allocate gas purchased to prevent a shortfall.</p> <p>In our earlier submission, we sought clarity on how AEMO would allocate gas purchased to prevent a shortfall. In response, AEMO expressed its preference for using a services model whereby AEMO procures the specific service from a market participant, who would likely then have an obligation to ensure gas is made available through market mechanisms. However, it is still not clear how this gas would be allocated to users. For example, if the southern market (Adelaide, Sydney and DWGM) is materially short and AEMO uses its new trading powers to either procure a service from industry or purchase gas on a bilateral basis directly from a market participant, how would this gas actually enter the market? It is not clear at what price this gas would be made available. If this gas is sold into the market at an artificially capped price, then this may encourage demand and not resolve the shortfall.</p>	<p>Where there is a shortfall forecast in one of the regulated markets and AEMO has entered into an agreement to address that shortfall, the specifics of the agreement will need to identify how the service is going to deliver additional gas to a shortfall as required.</p> <p>The nature and magnitude; duration; and location of the identified risk or threat will inform the type of service that will prevent or mitigate the identified risk or threat.</p>