

IMPACT & IMPLEMENTATION REPORT – SUMMARY SECTION
(For AEMO to complete and administer)

Issue Number	BB IIR 18-002		
Impacted Jurisdiction (s)	All except WA		
Proponent	Nicole Dodd	Company	Australian Energy Market Operator
Affected Gas Markets(s) <ul style="list-style-type: none"> ▪ Retail ▪ Wholesale ▪ Bulletin Board ▪ STTM 	Bulletin Board	Consultation process (Ordinary or Expedited)	Ordinary
Industry Consultative forum(s) used	Gas Wholesale Consultative Forum, Bulletin Board Contacts, Pipeline Capacity Trading Reference Group	Date Industry Consultative forum(s)consultation concluded	28 September 2018
Short Description of change(s)	Amendments to BB Procedures and BB Data Submission Procedures arising from the implementation of the pipeline capacity trading reform package.		
Procedure(s) or Documentation impacted	BB Procedures BB Data Submission Procedures		
Summary of the change(s)	These changes to the BB Procedures and BB Data Submission Procedures include: <ul style="list-style-type: none"> • Registration and reporting requirements for allocation agents • Reporting requirements introduced for additional transparency measures introduced with the capacity trading reforms, including reporting of secondary capacity trades and information associated with the use of auction services • Reporting requirements introduced for transitional compression service facilities • Amendments to clarify the existing BB Data Submission Procedures 		
I&IR Prepared By	Nicole Dodd	Approved By	Paddy Costigan
Date I&IR published	5 October 2018	Date Consultation under 135EE or 135EF concludes	5 November 2018
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IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

1. Description of change(s) and reasons for change(s)

On 29 June 2018 the Council of Australian Governments (COAG) Energy Council (Energy Council) agreed to implement the legal and regulatory framework required to give effect to the capacity trading reform package.

The capacity trading reform package applies to transmission pipelines and compression facilities operating under the contract carriage model. The package provides for the implementation of:

1. A capacity trading platform (CTP) that will form part of the gas trading exchange (Gas Supply Hub (GSH)) and provide for:
 - exchange-based trading of commonly traded transportation products (including firm forward haul services, firm park services and firm compression services on stand-alone compressors); and
 - a listing service for other more bespoke products.
2. A day-ahead auction (DAA) of contracted but un-nominated (CBU) capacity, which will be conducted each day on non-exempt transportation facilities shortly after nomination cut-off and subject to a reserve price of zero. Shippers will be able to use the DAA to procure forward haul transportation services (with separate products offered in both directions on bi-directional pipelines); backhaul services on single direction pipelines (or parts of pipelines) and stand-alone compression services.
3. A range of measures to facilitate capacity trading and the DAA, including the development of standard operational transportation service agreements (standard OTSA) that will establish the standard contract terms between service providers and shippers for capacity procured through the CTP and DAA.
4. A reporting framework for secondary capacity trades and a number of other transparency measures that are designed to facilitate capacity trades and the DAA (including, amongst others, a requirement for allocation agents to provide information on allocation arrangements and transportation service providers to provide information on the nameplate rating of receipt and delivery points).
5. A standard market timetable that provides for:
 - a common gas day start time across the east coast (and Northern Territory once connected to the east coast) that will apply to all production, pipeline, compression and storage facilities and in the facilitated markets; and
 - a common nomination cut-off time and common auction service nomination cut-off time for transportation facilities that will be subject to the capacity trading reforms.

The changes being consulted on in this IIR are necessary amendments to the BB Procedures arising from the National Gas (Capacity Trading and Auctions) Amendment Rule 2018 (to be

	<p>made by the SA Minister), which provides for a number of amendments to Part 18 of the National Gas Rules (NGR).</p> <p>The amendments to the BB Procedures are required to enable changes to be made to the Natural Gas Services Bulletin Board (NGSBB) to give effect to the transparency measures that will facilitate trade through the CTP and the DAA (item 4 of the package described above).</p>
<p>2. Reference documentation</p> <ul style="list-style-type: none"> ▪ Procedure Reference ▪ GIP/Specification Pack Reference ▪ Other Reference 	<p>The BB Procedures (version 8.0, effective from 30 September 2018) are proposed to be amended to include the new requirements arising from the National Gas (Capacity Trading and Auction) Amendment Rule 2018.</p> <p>The BB Data Submission Procedures, which form part of the BB Procedures, are also proposed to be amended to specify the format for submitting any new information.</p>
<p>3. The high level details of the change(s) to the existing Procedures</p> <p>This includes:</p> <ul style="list-style-type: none"> ▪ A comparison of the existing operation of the Procedures to the proposed change to the operation of the Procedures ▪ A marked up version of the Procedure change (see change-marked documents published with this IIR) 	<ol style="list-style-type: none"> 1. The proposed BB Procedures include amendments to: <ul style="list-style-type: none"> • Allow for registration of allocation agents and allocation points for all transportation facilities. • Specify the requirements for information to be provided to AEMO regarding the allocation methodology and other aspects of the allocation agreements in place at each allocation point on specified facilities. • Specify the requirements for the reporting the nameplate rating for each receipt point and delivery point on each BB transmission pipeline • Specify the information AEMO will publish on the Bulletin Board relating to these items, and secondary capacity transaction information. 2. Additional transparency measures are also required once the CTP and DAA are in operation (1 March 2019). The information requirements for these have been specified in the NGR, and the timing and method of providing the information will be included in the BB Data Submission Procedures. These include: <ul style="list-style-type: none"> • Specifying the requirements for reporting secondary capacity trades and the registration requirements for such reporting. <p>For initial consultation, these new data submissions have been included in the Capacity Transfer and Auction Interface Protocol (CTA IP), draft versions of which are available on AEMO's website at: https://www.aemo.com.au/Stakeholder-Consultation/Consultations/Capacity-Trading-Reform-Package?Convenor</p> <p>These will be moved to the BB Data Submission Procedures for the final version.</p> 3. The capacity trading reforms also introduce reporting obligations for compression service facilities that are registered under the Capacity Transfer and Auction Procedures in accordance with section 91BRR of the

	<p>National Gas Law (as amended by the National Gas (South Australia) (Capacity Trading and Auctions) Amendment Bill 2018 (SA)), such that information reported will be consistent for all facilities subject to the new reforms. Compression reporting requirements are introduced under transitional Rules, until such a date that these reporting obligations are provided for under Part 18. While these reporting requirements are provided for under transitional Rules, the Capacity Transfer and Auction Procedures (CTAP) are to specify the manner in which the information is to be provided to AEMO to publish on the Bulletin Board. In turn, the CTAP provide for the information to be provided to AEMO as specified in the BB Data Submission Procedures. The consultation version of the CTAP can be found here: https://www.aemo.com.au/Stakeholder-Consultation/Consultations/Capacity-Trading-Reform-Package?Convenor</p> <p>4. The BB Data Submission Procedures also include some minor amendments to clarify the existing requirements as per the recent implementation of the National Gas Amendment (Improvements to Natural Gas Bulletin Board) Rule 2017.</p> <p>Change-marked versions of the BB Procedures and BB Data Submission Procedures for these changes are published with this IIR.</p>
<p>4. Explanation regarding the order of magnitude of the change</p> <p>(eg: material, non-material or non-substantial)</p>	<p>Implementation of the COAG Energy Council's capacity trading reform package is a material change for industry.</p>

ASSESSMENT OF LIKELY EFFECT OF PROPOSAL

<p>5. Overall Industry Cost / benefit (tangible / intangible / risk) analysis and/or cost estimates</p>	<p>The capacity trading reform package is expected to foster the development of a more liquid secondary capacity market and, in so doing, improve the efficiency with which capacity is allocated and used on transportation facilities by:</p> <ul style="list-style-type: none"> ▪ using market-based processes to allocate capacity to those that value it most; ▪ improving the incentive shippers have to trade capacity and posing a constraint on the ability of transportation facilities to sell secondary capacity at prices in excess of what would be expected in a workably competitive market; ▪ reducing search and transaction costs; and ▪ reducing information asymmetries and aiding the price discovery process. <p>Implementation of the capacity trading reform package will require expenditure by AEMO on market systems, legal artefacts as well as on market and operational readiness activities.</p> <p>Facility operators and participants are also likely to incur costs associated with systems, commercial arrangements and operational readiness.</p>
<p>6. The likely implementation effect of the change(s) on stakeholders (e.g. Industry or end-users)</p>	<p>Allocation agents and compression service facility operators will be new reporting entities for the BB and there will be new reporting requirements for existing BB reporting entities (BB transmission pipelines) introduced with the rule change amendment. These BB Procedures amendments are designed to facilitate these new obligations.</p>
<p>7. Testing requirements</p>	<p>For changes introduced directly to the BB Procedures and BB Data Submission Procedures, pre-production systems will be available for testing submissions as required.</p> <p>For changes related to the additional transparency measure for PCT and DAA, provided for under the CTA IP, facility operators and auction participants will be given the opportunity to test the trading, reporting, settlement and delivery arrangements for the new capacity products during a market trial scheduled for January and February 2019. Facility operators will also have the opportunity to test the Capacity Transfer Interface and reporting systems in November 2018.</p>
<p>8. AEMO's preliminary assessment of the proposal's compliance with section 135EB: - consistency with NGL</p>	<p>The pipeline capacity trading reforms will be implemented through the amendments to the NGL and NGR.</p> <p>BB reporting entities and transportation service providers for compression service facilities registered under the Capacity Transfer and Auction Procedures in accordance with section</p>

<p>and NGR, - regard to national gas objective - regard to any applicable access arrangements</p>	<p>91BRR of the National Gas Law (as amended by the National Gas (South Australia) (Capacity Trading and Auctions) Amendment Bill 2018 (SA)) will be required to comply with the obligations outlined in the BB Procedures and BB Data Submission Procedures to support the transparency measures introduced with the pipeline capacity reforms. As stated, the capacity trading reform package is expected to foster the development of a more liquid secondary capacity market and, in so doing, improve the efficiency with which capacity is allocated and used on transportation.</p>
<p>9. Consultation Forum Outcomes (e.g. the conclusions made on the change(s) whether there was unanimous approval, any dissenting views)</p>	<p>AEMO has consulted on these changes with the PCT Reference Group and the GWCF. AEMO carried out preliminary consultation on the CTAP in May 2018, and formal consultation on the CTAP in September 2018. AEMO released a PPC regarding these specific BB Procedure changes to the PCT Reference Group, GWCF and BB Contacts distribution lists in September.</p> <p>No material issues have been identified during these consultations. The BB Procedures have been updated based on the preliminary consultation, with the BB Data Submission Procedures including the technical requirements for submitting information under the BB Procedures and CTAP for transitional compression service facilities.</p>

RECOMMENDATION(S)	
10. Should the proposed Procedures be made, (with or without amendments)?	AEMO recommends that the BB Procedures and BB Data Submission Procedures are amended as proposed.
11. If applicable, a proposed effective date for the proposed change(s) to take effect and justification for that timeline.	<p>The changes will be effective following the enactment of the NGL and NGR amendments, which is currently expected to occur in November 2018.</p> <p>The proposed changes to the BB Procedures in this PPC relate to the obligations that will come into effect immediately or soon after the enactment of the NGL and NGR amendments. This is prior to the commencement of the Capacity Trading Platform and Capacity Auction, which are scheduled to commence on 1 March 2019.</p> <p>The ongoing reporting obligations for compression service facilities registered under the Capacity Transfer and Auction Procedures in accordance with section 91BRR of the National Gas Law (as amended by the National Gas (South Australia) (Capacity Trading and Auctions) Amendment Bill 2018 (SA)) are scheduled to commence on 1 February 2019.</p> <p>AEMO will conduct another consultation on proposed changes to the BB Procedures relating to obligations that come into effect from 1 March 2019 after the enactment of the NGL and NGR amendments.</p>