

# IMPACT IMPLEMENTATION REPORT (IIR)

## Summary Section

For AEMO to complete and administer.

<b>Issue Number</b>	18		
<b>Impacted Jurisdiction(s)</b>	Queensland, New South Wales, South Australia, Victoria, Tasmania, Northern Territory, Australian Capital Territory		
<b>Proponent</b>	Trent Morrow	<b>Company</b>	AEMO
<b>Affected Gas Market(s)</b>	• Gas Supply Hub	<b>Consultation process (Ordinary or Expedited)</b>	Expedited
<b>Industry Consultative forum(s) used</b>	GSH and PCT Reference Group		
<b>Short Description of change(s)</b>	Corrections to Gas Supply Hub Exchange Agreement arising from the changes for the implementation of the Pipeline Capacity Trading reform package.		
<b>Procedure(s) or Documentation impacted</b>	Gas Supply Hub Exchange Agreement		
<b>Summary of the change(s)</b>	<ul style="list-style-type: none"> <li>• Correct the Capacity Variance Quantity settlement equation.</li> <li>• Correct the closing time for pre-matched transactions from 4pm to 6pm</li> </ul>		
<b>I&amp;IR Prepared By</b>	Markets	<b>Approved By</b>	Paddy Costigan
<b>Date I&amp;IR published</b>	12 March 2019	<b>Date Consultation under 135EE or 135EF concludes</b>	26 March 2019
<b>Email Address for Responses</b>	<a href="mailto:pct@aemo.com.au">pct@aemo.com.au</a>		
<b>Other key contact information</b>	Trent Morrow – 07 3347 3072		



## IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

### CRITICAL EXAMINATION OF PROPOSAL

#### 1. DESCRIPTION OF CHANGE(S) AND REASONS FOR CHANGE(S)

##### 1.1. Changes to the GSH Exchange Agreement

AEMO consulted on amendments to the GSH Exchange Agreement and the Settlement and Prudential Methodology in September 2018 (IIR 15) and subsequently in January 2019 (IIR 17). AEMO has identified two administrative errors in the changes made to the GSH Exchange Agreement and the Settlement and Prudential Methodology for the implementation of the pipeline capacity trading reforms.

#### 2. REFERENCE DOCUMENTATION

The following documents provide a reference to the proposed amendments:

- Capacity trading law and rules: <https://www.aemc.gov.au/regulation/energy-rules/national-gas-rules/gas-rules-made-south-australian-minister>
- Capacity transfer and auction procedures: <http://aemo.com.au/-/media/Files/Gas/Pipeline-Capacity/2018/Capacity-Transfer-and-Auction-Procedures-v10.pdf>
- GSH Exchange Agreement: <http://aemo.com.au/-/media/Files/Gas/Pipeline-Capacity/2018/GSH-Exchange-Agreement-v120.pdf>
- Settlement and Prudential Methodology: [http://aemo.com.au/-/media/Files/Stakeholder\\_Consultation/Consultations/Gas\\_Consultations/2018/CTR/Settlements-Prudential-Methodology-v50.pdf](http://aemo.com.au/-/media/Files/Stakeholder_Consultation/Consultations/Gas_Consultations/2018/CTR/Settlements-Prudential-Methodology-v50.pdf)
- GSH EA Amendments I&R015: <http://aemo.com.au/Stakeholder-Consultation/Consultations/Capacity-Trading-Reform-Package?Convenor=AEMO%20Gas>

#### 3. THE HIGH LEVEL DETAILS OF THE CHANGE(S) TO THE EXISTING PROCEDURES

##### 3.1. Extend trading hours for pre-matched transactions

On 1 March 2019, the trading hours of the exchange were extended from 5pm to 7pm in accordance with the COAG Energy Council approved design of the capacity trading reforms.

The recent change to the GSH Exchange Agreement (IIR 17) omitted an amendment to the closing time for pre-matched transactions. Convention of the GSH is that pre-matched transactions close one hour prior to 'on-screen' trading on the exchange. The proposed change will extend the closing time for pre-matched transactions by two hours from 4pm to 6pm.

##### 3.2. Calculation of Capacity Variance Quantity

New settlement equations were introduced to the GSH Settlement and Prudential methodology for the settlement of capacity trades executed on the exchange.

The Capacity Variance settlement adjusts the settlement outcomes of trading participants in the event the full capacity transfer volume is not completed between a buyer and seller. Following consultation on amendments to the GSH Settlement and Prudential methodology in September 2018, AEMO merged the equations applicable to buyers and sellers for the calculation of a Capacity Variance Quantity (CVQ). This



proposed amendment corrects the sign of the variables in the equation that calculates the Capacity Variance Quantity (CVQ).

#### **4. EXPLANATION REGARDING THE ORDER OF MAGNITUDE OF THE CHANGE**

The proposed changes are to correct administrative errors in the GSH Exchange Agreement and GSH Settlement and Prudential Methodology for issues that have previously been decided through a standard consultation process. The changes align the GSH Exchange Agreement and GSH Settlement and Prudential Methodology with the market systems.



## **ASSESSMENT OF LIKELY EFFECT OF PROPOSAL**

### **5. OVERALL INDUSTRY COST / BENEFIT (TANGIBLE / INTANGIBLE / RISK) ANALYSIS AND/OR COST ESTIMATES**

The changes are administrative in nature and are made to correct errors in the GSH Exchange Agreement and GSH Settlement and Prudential Methodology.

### **6. THE LIKELY IMPLEMENTATION EFFECT OF THE CHANGE(S) ON STAKEHOLDERS**

There is no impact to stakeholders associated with the proposed administrative changes.

### **7. TESTING REQUIREMENTS**

There are no testing requirements associated with this change. The changes align the GSH Exchange Agreement and GSH Settlement and Prudential Methodology with the market systems used by industry during the market trial for the implementation of the capacity trading reforms.

### **8. AEMO'S PRELIMINARY ASSESSMENT OF THE PROPOSAL'S COMPLIANCE WITH SECTION 135EB:**

The changes are administrative in nature and will align the GSH Exchange Agreement and the Settlement and Prudential Methodology with the market systems.

### **9. CONSULTATION FORUM OUTCOMES**

The GSH Exchange Agreement and the Settlement and Prudential Methodology were amended for the implementation of the pipeline capacity trading reforms. A public consultation for the proposed amendments was carried out in September 2018. No material issues were raised in this consultation.



## **RECOMMENDATION(S)**

### **10. SHOULD THE PROPOSED PROCEDURES BE MADE, (WITH OR WITHOUT AMENDMENTS)?**

AEMO recommends that the proposed amendments be made to the Gas Supply Hub Exchange Agreement and the GSH Settlement and Prudential methodology.

### **11. IF APPLICABLE, A PROPOSED EFFECTIVE DATE FOR THE PROPOSED CHANGE(S) TO TAKE EFFECT AND JUSTIFICATION FOR THAT TIMELINE.**

The proposed effective date for changes to the GSH Exchange Agreement and GSH Settlement and Prudential methodology is 28 March 2019.

## ATTACHMENT A – DOCUMENTATION CHANGES (SEE SECTION 3)

Blue represents additions Red and strikeout represents deletions – Marked up changes shown only in sections with changes.

### 1. Extension of Trading Hours

13.2(e) Submissions and confirmations of Pre-matched Trades must meet the requirements applicable to Orders for the relevant Product, except that:

- (i) details of a Pre-matched Trade that are not confirmed by the second Trading Participant within one hour of submission will automatically expire; and
- (ii) details of a Pre-matched Trade will be rejected if not submitted before 64:00pm on any day.

### 2. Settlement and Prudential Methodology

Amend equation 3.1.3 as follows:

Capacity Variance Quantity for Capacity Transactions:

- (a) The Capacity Variance Quantity for Trading Participant p, for Gas Day d and Capacity Transfer dt is calculated as:

$$CVQ(p,dt,d) = CCFQ(dt,d) - CTCQ(dt,d)$$

Example: Buyer has part of their capacity transfer completed by the facility operator.

$$\begin{aligned} \text{Capacity Variance Quantity} &= \text{Confirmed Capacity Quantity} - \text{Capacity Transfer Quantity} \\ &= 8,000 - 10,000 \\ &= -2,000 \end{aligned}$$