

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

Issue Number			
Proponent	AEMO Settlements	Date of submission	NA
Affected gas markets	DWGM	Consultation process (Ordinary or Expedited)	Ordinary
Industry consultative forums used	Gas Wholesale Consultative Forum	Date industry consultative forums consultation concluded	
Short description of change	On 24 March 2016 the Australian Energy Market Commission (AEMC) published the National Gas Amendment (DWGM-AMDQ Allocation) Rule 2016 No.1 (effective 25 October 2016) (the AMDQ Rule Change).		
Procedures or documentation impacted	Wholesale Market AMDQ Procedures (Victoria) Wholesale Market Uplift Payment Procedures (Victoria)		
Date I&IR published	04 August 2016	Date consultation under 135EE or 135EF concludes	02 September 2016
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IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

ASSESSMENT OF PROPOSAL

<p>Summary and rationale for the changes (see Attachment A for the full set of changes)</p>	<p>Due to the AMDQ Rule Change made on 24 March 2016, AEMO is required to incorporate new rule requirements into the current Wholesale Market AMDQ Procedures and Wholesale Market Uplift Payment Procedures.</p> <p>Under the new rules;</p> <ul style="list-style-type: none"> • Authorised MDQ will relate only to historic capacity on the Longford to Melbourne pipeline. • All extensions and expansions to the Victorian Declared Transmission System (Victorian DTS) will result in the creation of AMDQ Credit Certificates (AMDQ CC). • AEMO must allocate AMDQ Credit Certificates following an auction unless the AER has determined an amount of capacity for which the cost is neither included in the DTS service provider’s capital base nor approved capital expenditure. • Auctions relating to existing capacity must be held in respect of each access arrangement period, and auctions for new capacity must be held before commissioning. • As per the new rule 329G, AEMO must make AMDQ Credit Certificate Auction Procedures to allocate the AMDQ Credit Certificates. • Proceeds received from this auction will be offset against the operating costs of the DWGM. • AEMO must give a minimum of twenty business days’ notice prior to conducting an auction of either Authorised MDQ or AMDQ Credit Certificates. • Wholesale Market Uplift Payment Procedures have been changed to reflect the requirement that AMDQ CC taken into account for the determination of Uplift hedge for the Longford CPP.
<p>Cost estimate (and/or cost/benefit analysis)</p>	<p>The cost of implementing these changes is nominal, as AEMO will only need to update internal processes. However, implementation will involve some changes to manual processes as outlined in the attached proposed AMDQ Procedures Changes.</p>

<p>The likely implementation effect the change(s) on stakeholders</p>	<p>The implementation effect on Market Participants is considered minimal with no system changes required. However, market participants and DTS SP will need to reflect the new requirements of the AMDQ Credit Certificate Auction process in their internal processes.</p>
<p>Testing requirements</p>	<p>There are no testing requirements.</p>
<p>AEMO's preliminary assessment of the proposal's compliance with section 135EB:</p>	<p><u>Consistency with NGL</u> Section 91BL of the NGL allows AEMO to make Wholesale Market Procedures.</p> <p>Section 91BM(2)(a) allows Wholesale Market Procedures to deal with matters specified by the Rules.</p> <p>Consistency with NGR On 24 March 2016 the AEMC published the National Gas Amendment (DWGM-AMDQ Allocation) Rule 2016 No.1 (effective 25 October 2016) (the AMDQ Rule Change).</p> <p>The AMDQ Rule Change requires AEMO to make Procedures for auctioning AMDQ credit certificates, which necessitates changes to the Wholesale Market AMDQ Procedures. Consequential changes are required to the Wholesale Market Uplift Procedures.</p> <p>Appropriate having regard to the National Gas Objective NGL Part 3 Division 1 section 23 states the National Gas Objective as being:</p> <p><i>“... 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.”</i></p> <p>These changes promote the efficient operation and use of natural gas services by implementing an auction process with a view to determining an efficient price and allocation mechanism for AMDQ Credit Certificates.</p>
<p>Consultation forum outcomes</p>	<p>AEMO discussed the proposed changes at the GWCF on 14 June 2016.</p> <p>AEMO published the Proposed Procedures change (PPC) on 23 June 2016. The consultation for the PPC closed on 21 July 2016. AEMO received no submissions by the closing date, and one late submission from AGL which broadly</p>

supported the proposed changes to the Wholesale Market AMDQ Procedures, subject to a number of suggested clarifications. No submissions were made regards to the changes proposed in the Uplift Payment Procedures.

The AGL submission can be found at:

<http://aemo.com.au/Stakeholder-Consultation/Consultations/DWGM---AMDQ-Allocation>

At the GWCF and PPC stage AEMO sought specific feedback on these topics:

- Timing of Auction
- Auction Approach
- Re- Auction Requirements

Following the consultation at GWCF, AEMO recommends that:

- Timing of Auction – Substantially as per clause 6.2.2 of the proposed Procedures. While AEMO intends to commence the auction process approximately 12 months prior to the date on which the resulting allocation is to be effective, the information necessary to hold the auction or to finalise allocations may not be available, or may depend on matters outside the control of AEMO and the DTS service provider (such as AER determinations). For that reason AEMO considers it needs to adopt a flexible approach (subject to the minimum notice requirements in the NGR), and will indicate applicable timeframes in the guidelines published for individual auctions.
- Auction Approach – Clearing Price method (Option 2 in the proposed Procedures)
- Re- Auction Requirements – Substantially as per clause 6.7 of the proposed Procedures. For the purposes of the IIR, the draft Procedures proposes that, after AEMO receives a firm offer for available capacity, an auction would be held if expressions of interest indicate that at least one additional Market Participant is likely to bid for the capacity – subject to restrictions such that AEMO is not required to conduct an auction less than 12 months after it last went to market. An alternative, on which AEMO seeks feedback, is for AEMO to re-auction the capacity only if it receives expressions of interest or offers for more than the available quantity of AMDQ credit certificates

RECOMMENDATION(S)	
Should the proposed Procedures be made, (with or without amendments)?	AEMO recommends that the proposed Procedures should be implemented substantially in the form of the attached draft.
Proposed effective date for the proposed change(s)	Proposed implementation date is 25 October 2016, as required by the AMDQ Rule Change.

ATTACHMENT A – DOCUMENTATION CHANGES (SEE SECTION 3)

Blue represents additions **Red** and **strikeout** represents deletions – **Marked up changes**

Comments may be used to explain changes to the document

- Draft Wholesale Market AMDQ Procedures (Marked up amendments)
- Draft Wholesale Market AMDQ Procedures (Clean)
- Draft Wholesale Market Uplift Procedures (Unchanged since PPC)
- Uplift Functional Design - Draft
- Ancillary Payments Functional Design - Draft
- Injection Tie-Breaking Right Functional Design - Draft
- Summary of Stakeholder Submissions