

IMPACT IMPLEMENTATION REPORT (IIR) - AMENDMENT OF EXCHANGE AGREEMENT

Summary Section

For AEMO to complete and administer.

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|---|--|---|---------------------------|
| Issue Number | N/A | | |
| Impacted Jurisdiction(s) | Queensland, South Australia, Victoria, Tasmania, New South Wales, Australian Capital Territory, Northern Territory | | |
| Proponent | Hugh Ridgway | Company | AEMO |
| Affected Gas Market(s) | <ul style="list-style-type: none"> Gas Supply Hub | Consultation process ((NGR 540 (5) (ii) (Ordinary) or NGR 540 (5) (i) (Expedited)) | Ordinary |
| Industry Consultative forum(s) used | Hub Reference Group | Date Industry Consultative forum(s) consultation concluded | Tuesday, 18 December 2018 |
| Short Description of change(s) | Amendments to Gas Supply Hub Exchange Agreement in light of the NGR change to harmonise the gas day. | | |
| Procedure(s) or Documentation impacted | Gas Supply Hub Exchange Agreement | | |
| Summary of the change(s) | <ul style="list-style-type: none"> Amend gas day definition Transitional provision for standard market timetable Removal of gas day commencement section for each product specification | | |
| I&IR Prepared By | Hugh Ridgway | Approved By | Violette Mouchaileh |
| Date I&IR published | 18 January 2019 | Date Consultation under 540 (5) (ii) or 540 (5) (i) concludes | 25 February 2019 |
| Email Address for Responses | gdh@aemo.com.au | | |



IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

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

In early 2017 the AEMC published a rule determination to harmonise the start time of the gas day used in the short-term trading market hubs and the gas supply hub trading locations with the gas day start time used in the Victorian declared wholesale gas market. Under the rule, the gas day in each market at each location will commence at 6.00 am Australian Eastern Standard Time (AEST). This change will also result in standardising the next gas day nomination cut-over time which will be 3pm AEST.

In late 2017 the COAG Energy Council considered a range of reform recommendations put forward by Gas Market Reform Group's (GMRG) which include harmonising the start time of the gas day. Click here to view the GMRG final recommendation paper. At the November 2017 COAG Energy Council meeting, Ministers agreed with the full package of reforms put forward by GMRG which included a recommendation that harmonising the start time of the gas day changes take effect by 1 October 2019. The relevant National Gas Law (NGL) and National Gas Rule (NGR) changes were made by the SA Minister for Energy on 22 November 2018. Click [here](#) to view these amendments.

In September of 2018, AEMO kicked-off a program of work to review the impact of harmonising the start time of the gas day initiative.

In late November, AEMO published an initial consultation that detailed the changes to the Gas Supply Hub Exchange Agreement (EA) and invited anyone to make a submission. Section 9 details the outcome of the consultation. In summary, no material feedback was received.

A summary of the recommended changes are described in section 3 of this IIR. It is not anticipated that these amendments will require any changes to AEMO's market systems.

The broad changes described in section 4 of this IIR will require transition plans to be developed. There will be a separate consultation for the procedure changes that will provide the necessary regulatory relief to facilitate the transition plans. This consultation is targeted to commence in Q1 2019.

Submissions close 25 February 2019 and should be emailed to gdh@aemo.com.au.

2. REFERENCE DOCUMENTATION

- Gas Supply Hub Exchange Agreement

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

The changes to the GSH Exchange Agreement are:

- Amendment to the gas day definition
- Transitional provision added for transition to standard market timetable
- Removal of gas day commencement time for each product specification

These changes are tracked and set out in the marked up GSH exchange agreement published with this IIR.

4. EXPLANATION REGARDING THE ORDER OF MAGNITUDE OF THE CHANGE

This change solely impacts the definition of gas day and therefore changes the hours to which products on the gas supply hub apply.

AEMO is of the view that this change is simple and should have minimal impact on the operation of the gas supply hub.



ASSESSMENT OF LIKELY EFFECT OF PROPOSAL

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

AEMO notes that the proposed change is a legislative requirement.

In terms of benefits, having a consistent gas day start time across all jurisdictions that operate under the NGR will enable new participants to partake in these markets more easily. The changes proposed will align the product specifications with the new legislative framework. This provides consistency and harmonisation with both the new legislative framework and other jurisdictional gas markets.

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

AEMO is currently consulting on possible impacts to participants as part of a transition plan that will be completed around the end of Q1 2019. No significant impacts to participants have been identified at this stage.

7. TESTING REQUIREMENTS

AEMO and Gas Transporters will need to modify their IT systems to comply with the harmonised gas day. AEMO's view is these IT system changes do not warrant a co-ordinated industry testing program or a bilateral testing program.

8. AEMO'S PRELIMINARY ASSESSMENT OF THE PROPOSAL'S COMPLIANCE WITH SECTION 540 (1):

- Consistency with NGL and NGR:
 - AEMO's view is that the proposed change is consistent with the NGL and NGR. The proposed change promotes consistency across four jurisdictions.
- Regard to national gas objective. "*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.*":
 - It is AEMO's view that this change removes any costs associated with unnecessary differences across the gas markets and is in the long-term interests of consumers.
- Regard to any compliance costs likely to be incurred by the Operator or gas trading exchange members:
 - AEMO's view is that the cost of implementation of the proposed change will be non-material.

9. CONSULTATION FORUM OUTCOMES

On 21 November 2018 AEMO published on its website an initial consultation paper that proposed changes to the Exchange Agreement in light of the NGR change to harmonise the gas day. Registered participants and interested stakeholders were invited to make submissions which closed on 18 December 2018.

Submissions were received from AGL and Origin. Neither of these submissions raised any material issues.



RECOMMENDATION(S)

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

AEMO recommends that the changes be made as proposed in Attachment A.

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

Subject to all necessary approval's AEMO is targeting to implement this initiative 6:00am AEST on 1 October 2019. To achieve this timeline, AEMO proposes the following key milestones:

- Issue IIR on 25 January 2019.
- Submission on IIR close 25 February 2019.
- AEMO decision on 15 March 2019.
- Effective date 1 October 2019 (6:00am AEST).



ATTACHMENT A – DOCUMENTATION CHANGES (SEE SECTION 3)

The marked up Gas Supply Hub Exchange Agreement is attached separately to this document.