

10 July 2024

Notice of AEMO decision

This Notice is to advise of AEMO's decision to make the following Procedures:

- East Coast Gas System Procedures
- STTM Procedures
- Wholesale Market Settlement Procedures

AEMO is also making the Gas Compensation Confidentiality Deed as required by rule 135JD(2). In addition, AEMO is also publishing the Guidance to Gas Compensation Determinations as required by rule 135JD(3) with this Decision.

These Procedures made in accordance with section 91BL of the National Gas Law (NGL) and the National Gas Rules (NGR). These Procedures are required to be effective by 31 July 2024 under the transitional Rules as published by the AEMC in its gas compensation and dispute resolution frameworks rule change.

To make these Procedures, AEMO undertook the ordinary process for making Procedure changes under Part 15B of the rules. The consultation process had the following stages:

- PPC publication date: 2 April 2024
- PPC consultation submissions due: 1 May 2024
- IIR publication date: 22 May 2024
- IIR consultation submissions due: 19 June 2024
- Notice of Decision published: 10 July 2024
- Effective Date: 31 July 2024

As required by Rule 135EE(5), the Procedures will take effect on 31 July 2024.

As required under Rule 135EE of the National Gas Rules (NGR), Registered participants and other interested parties were invited to submit comments to AEMO on the new Procedures. AEMO received one submission from APLNG in response to the Impact and Implementation Report. Consultation submissions are summarised in Attachment B.

As required under Rule 135EE of the NGR, AEMO published this Notice of Decision regarding this Procedures consultation on 10 July 2024.

AEMO has approved the proposed Procedures issued for this consultation as set out in Attachment A of this Notice.

The key changes to the consultation documents made by this Decision, since the version published with the Impact and Implementation Report was published, are summarised below:

East Coast Gas System (ECGS) Procedures



- The affected location in clause 4.4(a)(i) will be specified in the notice requesting compensation claims, required by Rule 705(1). AEMO will have regard to the location(s) specified in the risk or threat notice(s) and direction notice(s) that were published in relation to the relevant identified risk or threat.
- The determination of the share of compensation funding amount specified in clause 4.4(b)(ii) has been linked to the adjustment of the compensation funding amount, in clause 4.4(c).
- The adjustment to the share of compensation funding amount has been amended to allow for a component of the compensation funding amount to be adjusted.
- IIR responses and amendments to the ECGS Procedures are discussed in Appendix B2.
- STTM Procedures
 - o no changes since the PPC was published.
- Wholesale Market Settlement Procedures
 - no changes since the PPC was published.
- Gas Compensation Confidentiality Deed
 - AEMO has incorporated a definition of independent expert.
 - AEMO has maintained the governing jurisdiction as Victoria.
 - IIR responses and amendments to the Deed are discussed in Appendix B.5
- Guidance to Gas Compensation Determinations
 - APLNG proposed some amendments to the Guidance to better reflect the Rule requirements. AEMO has taken onboard most of these proposed amendments with some minor editorial differences.
 - IIR responses and amendments to the Guidance are discussed in Appendix B.6

Attachment A. Consultation documents

The following consultation documents are attached separately to this document:

- East Coast Gas System Procedures v2.0
- STTM Procedures v14.0
- Wholesale Market Settlement Procedures v2.0
- Gas Compensation Confidentiality Deed v1.0
- Guidance on Gas Compensation Determinations v1.0

Attachment B. Response to Participant Submissions

The following responses were received from participants in response to the Impact and Implementation Report.

B.1 General comments

Refere	ice Submitter	Submission details	AEMO response
		General Comments	
B.1.1	APLNG	Australia Pacific LNG does not have any specific feedback on the Australian Energy Market Operator's (AEMO) assessment of the proposal.	Noted

B.2 ECGS Procedures

Reference	Submitter	Submission details	AEMO response
		General Comments	
B.2.1	APLNG	Clause 4.1(a): Australia Pacific LNG proposes that the claimant should nominate, in its notice of claim, the jurisdiction under which the confidentiality deed should be governed. Please refer to our feedback in the 'Guidance on Gas Compensation Determinations' table below for more information.	Please see AEMO's response in Reference B.5.1.
B.2.2	APLNG	Clause 4.1(a)(vi)(D): We suggest amendments to this clause for the following matters: 1. The reference to the 'liable relevant entity' should be replaced with 'counterparties' because a claimant would be unaware of whether a party to whom it has issued an invoice is a liable relevant entity. Liable relevant entities are determined by AEMO after the notice of claim has been submitted and the independent expert has made its determination. 2. The term 'including' could be interpreted to mean that a claimant must provide invoices, even if there are no relevant invoices to provide. We suggest softening this terminology. 3. Other relevant evidence may include receipts of any funds, payments, compensation or another financial benefit received by the claimant (e.g. receipts of payments received from existing counterparties for their gas demand in the affected location during the relevant period). Proposed drafting change:	Update to clause 4.1(a)(vi)(D) to incorporate APLNG's comments and updated to use the defined term 'period of the risk or threat': (D) Other relevant evidence supporting the compensation claim, including invoices (if any paid and unpaid) to counterparties liable relevant entities for gas demand in the affected location during the period of the identified risk or threat and receipts or other documentation evidencing any funds, payments, compensation or any other benefit received by the claimant as set out in clause 4.1(a)(v)(E).

Reference	Submitter	Submission details	AEMO response
		Other relevant evidence supporting the compensation claim, including such as invoices (paid and unpaid) to liable relevant entities counterparties for gas demand in the affected location during the period of the identified risk or threat and receipts or other documentation evidencing any funds, payments, compensation or another financial benefit received by the claimant as set out in clause 4.1(a)(v)(E).	
B.2.3	APLNG	Clause 4.4(a)(i): Australia Pacific LNG believes there should be flexibility incorporated in the East Coast Gas System (ECGS) Procedures for AEMO to amend the 'affected location', as needed. We consider this is necessary because, when a risk or threat is first identified, it may be difficult for AEMO to pinpoint the exact location(s) impacted due to incomplete or missing information at the onset of the event. This could mean the location(s) specified in the risk or threat notice or direction notice may be inaccurate or incomplete. Given this parameter plays a significant role in determining who should fund the compensation funding amount, stakeholders should be afforded the opportunity to: 1. raise any concerns about the affected location prior to AEMO determining the liable relevant entities, and 2. provide feedback on any proposed changes to the affected location. Finally, for the recent Queensland Gas Pipeline incident, we note there were various risk or threat and direction notices, with several locations and BB facilities referenced. We seek clarity from AEMO as to whether it will use each notice issued to determine the affected location, as well as each location referenced in those notices, or a different approach. Proposed drafting change: Affected location means, in relation to an identified risk or threat, the location identified by AEMO in the relevant risk or threat notice or direction notice which may include the impacted jurisdiction(s), specific BB facility(s) and other location(s); The affected location may be amended by AEMO if: (A) AEMO and/or another person identifies an issue(s) with the location specified in the relevant risk or threat notice or direction notice; and (B) following public consultation on the issue(s) identified under clause 4.4(a)(i)(A), AEMO determines, taking into account any feedback received during the consultation, that the affected location should be amended;	AEMO considers that it is more appropriate to use the request for compensation claims, required by Rule 705(1), to specify the affected location for each day of the identified risk or threat for compensation claims. However, given the principles in the Rules, AEMO must have regard to the location in the risk or threat notice or direction notice. AEMO notes this maintains the incentive on liable entities to respond when the risk or threat notice identifies the location of the risk or threat.
B.2.4	APLNG	New clause and 4.4(b)(ii): The ECGS Procedures need to provide AEMO with the ability to allocate discrete components of the compensation funding amount to different subsets of liable relevant entities to ensure an equitable distribution of cost impacts, wherever practical. For example, there may be situations where: • a component of the compensation funding amount does not relate to a specific liable relevant entity's gas demand in the affected location during the period of risk or threat	APLNG's suggestion to include "or a component of the compensation funding amount" has been incorporated into clause 4.4(c). AEMO has also included the following note (below clause 4.4(c)) to explain the components of a compensation funding amount. Note: The components of compensation funding amount are defined in Rule 707(6). The reduction in clause (c) may only reduce the liable relevant entity's share of the amount of

Reference	Submitter	Submission details	AEMO response
		 a liable relevant entity has only partially paid for its gas demand in the affected location during the period of the risk or threat and still needs to contribute to part of the compensation funding amount (e.g. it may not have paid for swap fees or transportation charges incurred by the claimant to facilitate the supply of the directed gas). 	compensation determined by the independent expert under Rule 707(1).
		We also note this change is required to enact our proposal for reducing a liable relevant entity's share of the compensation funding amount. Please refer to our feedback against clause 4.4(c) below in this regard.	
		Proposed drafting change:	
		(ii) A liable relevant entity's applicable share of the compensation funding amount may be determined with reference to the entire compensation funding amount or a component of the compensation funding amount.	
		(ii)(iii) Ssubject to clause 4.4(c), the applicable share of the compensation funding amount, or a component of the compensation funding amount, payable by a liable relevant entity to AEMO will be	
B.2.5	APLNG	Clause 4.4(c): Australia Pacific LNG supports AEMO's proposal to reduce a liable relevant entity's share of the compensation funding amount if it has paid the claimant for its gas demand (partially or in full) in the affected location during the period of the risk or threat. This will help mitigate the risk of cross-subsidisation and lead to a fairer and more reasonable outcome. However, for the reasons listed further below, we do not agree with the methodology currently set out in clause 4.4(c) of the ECGS Procedures. Instead, we propose that AEMO remove a liable relevant entity's gas demand from the aggregate gas demand before allocating the compensation funding amount, or a component thereof, to liable relevant entities. We consider that this methodology: is simple to understand is transparent ensures full recovery of the compensation funding amount from liable relevant entities (as determined by AEMO) minimises inequitable distribution cost impacts provides AEMO with the flexibility to adjust its approach depending on the scale/type of incident incentivises existing customers of a claimant to pay for their gas demand under existing contractual arrangements, thereby minimising the overall compensation funding amount. Appendix A provides worked examples illustrating the impacts of adopting AEMO's proposal versus the above proposal. We also believe this proposal should be extended to include funds, compensation or	In response to APLNG's comments, AEMO has made the following changes to clause 4.4(c): a. the application of the clause remains at AEMO's discretion, and this will be based on the circumstance and complexity of the threat, such as at threat at a specific location (e.g. a specific BB pipeline being impacted), rather than more complex event. b. AEMO has amended the clause to clarify AEMO is 'altering', not 'reducing', the share of the compensation funding amount paid by each relevant liable entity to account for payments, to ensure there is no under-recovery of the compensation funding amount. d. See comments in reference B.2.4 around components of compensation funding amount. In regard to the APLNG proposal for the adjustment calculation being on the basis of quantity compensated and not amount compensated. AEMO notes a quantity adjustment can cause the compensation funding amount to be significantly increased for liable relevant entities that have not paid any invoices from the claimant. AEMO considers that the requirement of Rule 707(11) requires to the extent reasonably practicable, a liable relevant entity's share of a compensation funding amount should be in proportion to its share of aggregate gas demand of all liable relevant entities'.
		another financial benefit received by the claimant from the liable relevant entity. Reason 1 – Double counting of payments	Therefore, AEMO determines costs on the basis of share of aggregate gas demand as per clause 4.4(b)(ii) of the Procedure. Clause 4.4(c) then allows the share to be adjusted for the

B.3 STTM Procedures

Reference	Submitter	Submission details	AEMO response
		General Comments	
B.3.1	APLNG	Australia Pacific LNG does not have any feedback on the changes made to the compensation sections in the STTM Procedures as we do not operate in this market.	Noted

B.4 Wholesale Market Settlement Procedures

Reference	Submitter	Submission details	AEMO response
		General Comments	
B.4.1	APLNG	Australia Pacific LNG does not have any feedback on the changes made to the compensation sections in the Wholesale Market Settlement Procedures as we do not operate in the Declared Wholesale Gas Market.	Noted

B.5 Gas Compensation Confidentiality Deed

Reference	Submitter	Submission details	AEMO response
		General Comments	
B.5.1	APLNG	Clauses 1.4 and 9.8: While Australia Pacific LNG agrees with AEMO that the jurisdiction should be specified in these clauses, we do not support AEMO's position to explicitly reference 'Victoria'. As highlighted in our submission on the Proposed Procedure Change, the confidentiality deed is for the benefit of the claimant. The claimant should therefore nominate the applicable jurisdiction. Since the confidentiality deed will not be executed until after a notice of claim is received by AEMO, we propose the insertion of a new item in clause 4.1(a) of the ECGS Procedures for the claimant to nominate the applicable jurisdiction in its notice of claim. AEMO could then insert the nominated jurisdiction in clauses 1.4, 9.8(b) and 9.8(c) of the confidentiality deed before it is executed by the relevant parties. Finally, clause 9.8(a) duplicates, in part, the clause 9.8 heading and we query whether it should be moved to that heading instead. Proposed drafting change:	Noted. Consistent with the NEM Independent Expert Confidentiality Deed, given there may be multiple claimants under the deed, it may be difficult to have a method of determining the applicable jurisdiction for all claimants, and therefore AEMO consider a State should be specified.

Reference	Submitter	Submission details	AEMO response
		1.4. Governing Law GOVERNING VICTORIA INSERT STATE OR TERRITORY NOMINATED BY THE	
		2.8. Governing Law, jurisdiction and service of process (a) Governing law, jurisdiction and service of process: (b)(a) The Agreement is governed by the law in force in Victoria [insert state or territory nominated by the claimant]. (c)(b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria [insert state or territory nominated by the claimant] and courts of	
B.5.2	APLNG	appeal from them. Each party waives any right it has to object to an action. Clause 3.2: While we acknowledge AEMO's point that the independent expert is the party signing the confidentiality deed, we consider that it would be desirable to clarify, by way of definition, that the independent expert is the person appointed pursuant to rule 135JE of the National Gas Rules (NGR) to determine the compensation claim. This is consistent with the approach adopted elsewhere in clause 3.2, where 'AEMO' and 'claimant' are defined. Proposed drafting change: Independent Expert means a person appointed pursuant to rule 135JE of the Rules to determine a compensation claim.	AEMO has inserted the definition of Independent Expert and also amended the definition of Claimant to mean the parties specified in the deed. As there may be multiple claimants specified, AEMO has included a clause 3.1(f) to clarify the relevant Claimant in relation to particular confidential information. New definition: "Independent Expert" means the Independent Expert specified in clause 1.1 of this Deed. New clause 3.1(f): If there is more than one Claimant that is specified in this Deed, a reference to the Claimant in this Deed refers to the Claimant that provided the Confidential Information to the Independent Expert or the Claimant to which the Confidential Information relates.
B.5.3	APLNG	Clauses 5(d), 7.1(a) and 7.2 (a): We strongly disagree with AEMO's assertion that it is a standard clause for confidentiality agreements that a party's confidential information can be kept for 'record keeping and audit purposes'. A clause of this nature defeats the purpose of the confidentiality agreement. Australia Pacific LNG submits that it is standard for all confidential information to be returned to the disclosing party, without exception. Clause 5(d) and all references to clause 5(d) should therefore be deleted. Proposed drafting change: 5(d) – Notwithstanding clause 5(a), the Independent Expert may keep a copy of the Confidential Information for its record keeping and audit purposes. 7.1(a) – Subject to clause 5(d), the The Independent Expert must	This clause is consistent with the NEM Independent Expert Confidentiality Deed. However, we have amended clause 5(d) to clarify that the confidentiality obligations under this Agreement will continue to apply to copies kept.

B.6 Guidance to Gas Compensation Determinations

Reference	Submitter	Submission details	AEMO response
		General Comments	
B.6.1	APLNG	Page 2: Fix the incomplete document reference. Proposed drafting change: The initial Guidance on Gas Compensation Determinations required by the	Document updated.
B.6.2	APLNG	Australia Pacific LNG maintains our previous position that changes are required to this clause to improve readability and ensure a consistent style with the previous sub-clauses. Existing clause 2.1(c) should be replaced with the proposed text contained in the next column. Proposed drafting change: East Coast Gas System (ECGS) - a claim for compensation under Division 6 of Part 27, notified to AEMO in a notice of claim under rule 705: (i) A relevant entity subject to a direction that requires the relevant entity to provide a gas service may make a claim in accordance with rule 704 for the direct costs associated with the supply of the gas service. (ii) A relevant entity deprived of a gas service in relation to which the relevant entity has a contractual or other legal right may make a claim in accordance with rule 704 for the direct costs associated with the deprivation of that service, but only if the relevant entity remains liable for the payment of the direct costs under the relevant contract or otherwise by law.	AEMO has drafted each of the subclauses in section 2.1 to be direct copy of the specific rule requirements, except for clause 2.1(a)(i)(A) and 2.1(a)(i)(B), which in Rule 343(c) had one clause for gas not bid and non-firm gas. AEMO considers the better approach is to insert the specific Rule reference in each clause and has also amended clause 2.1(a) to directly reflect Rule 343(1)(c) text.
B.6.3	APLNG	Clause 2.3: Australia Pacific LNG appreciates AEMO's incorporation of our earlier feedback in the process map for the nomination and appointment of an independent expert. We consider that some additional changes are required to align the process map with the following NGR requirements: • The market notice seeking a notice of claim from relevant entities should be sent before AEMO receives the notice of claims from relevant entities (per rule 705(1)). • Under rule 135JE(2), AEMO must have regard to whether related claims should be determined by the same independent expert as part of the same process. The current wording does not accurately reflect this requirement and could be interpreted to mean that the claims were provided by the independent expert (rather than the claimant(s)). • In addition to providing the notice of AEMO's independent expert nominee to the Australian Energy Regulator (AER) and the claimant(s), AEMO is required to publish the notice (per rule 135JE(1)).	AEMO notes that the Guidance is to provide an overview and understanding of the gas compensation process. It does not replace or reinterpret the Rules. For the sake of brevity AEMO has not repeated each Rule requirement in the process diagrams provided in the Rule requirements. For the Rule 705(1) AEMO market notice requesting claims: AEMO notes that the requirement for AEMO to send a market notice seeking a notice of claim is specifically only a requirement for the ECGS in Rule 705(1). This requirement does not exist in the STTM and DWGM. In the STTM (see rule 465(1)) and DWGM (see rule 237(1)), participants must submit their valid notice of claim within 10 business days of AEMO's issue of a final statement for each specific market.

Reference	Submitter	Submission details	AEMO response
		Proposed drafting change: AEMO receipts valid notice of claim on business day (D) and sends market notice seeking a notice of claim from relevant entities and receipts valid notice of claim(s) on business day (D). Rule 135JE(2) - AEMO is required to consider whether any related claims should be determined by the same independent expert. Rule 135JE(1) - AEMO provides notice to the claimant(s) and the AER of the nominated independent expert on day (E) and publishes the notice.	The Guidance was developed for the aligned compensation process that applies to the ECGS, STTM, and DWGM. AEMO considers sending a market notice for the ECGS compensation claims is an action only taken for the ECGS process prior to the compensation process beginning and therefore should not be reflected in the Guidance. For the Rule 135JE(2) amendment, AEMO has made the proposed amendments. For the Rule 135JE(1) amendment, AEMO has made the following amendment, for brevity, to capture the publication requirement: Rule 135JE(1) - AEMO publishes and provides a notice to the claimant(s) and the AER of the nominated independent expert on day (E).
B.6.4	APLNG	Clause 2.4: We welcome the improvements made to the process map on the independent expert's determination of a compensation claim and encourage AEMO to consider the following amendments: Rule 135JF(2) requires AEMO to provide the market data to the Expert and the claimant(s) as soon as practicable after receipt of the request. This timeline could be included in the process map, for consistency with boxes containing similar information provision requirements. There are minor typographical errors in the box related to the final documentation to be provided by the independent expert that should be addressed. There is an incorrect NGR reference in the box related to AEMO's publication of the final report and public final determination. Rule 135JH(7), not rule 135JH(6), requires AEMO to publish the final determination in the form it was provided by the independent expert. There is an incorrect NGR reference in the first note under the process map. Rule 135JG(4), not rule 135JF(4), allows the independent expert to amend the process and timetable. Proposed drafting change: AEMO provides the market data to the Expert and claimant(s) as soon as practicable after receiving the Expert's request Rule 135JH(3) & (6) - Expert prepares and provides within F+20 business days# to: AEMO -the final report', and tax invoice; AEMO and claimant(s) - public' and confidential final determination(s) Rule 135JH(3)(a) & (6)(7) - AEMO publishes the final report and	Document updated.

Reference	Submitter	Submission details	AEMO response
		* Rule 135JFG(4) – The independent expert may amend the process and timetable	
B.6.5	APLNG	In our submission on the Proposed Procedure Change, Australia Pacific LNG suggested minor changes to the process map to ensure alignment with rule 135JK of the NGR. This feedback was inadvertently missed in AEMO's updated 'Guidance on Gas Compensation Determinations'.	Document updated.
		We recommend the following changes:	
		 References to the 'compensation claim' should be substituted with 'determination' as rule 135JK permits the Court to grant leave to review the determination made by the independent expert on a question of law. 	
		• The connectors linking the first decision box with the two subsequent boxes should display 'Yes' or 'No'.	
		• With respect to rule 135JK(5)(d), the Court can set aside the determination in whole or in part.	
		• The Court's order may specify another timeframe in which the independent expert is to make a new determination (per rule 135JK(7)).	
		Please refer to Appendix B [of the APLNG submission] for a revised process map for the review of an independent expert's determination.	