

# Proposed Procedure Change (PPC) – DWGM, ECGS and STTM

## Procedures changes for Gas Compensation Determinations

<b>Impacted jurisdiction(s)</b>	All (excluding WA)		
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<b>Affected Gas Market(s)</b>	Declared Wholesale Gas Market (DWGM), East Coast Gas System (ECGS), Short Term Trading Market (STTM)		
<b>Date proposal published by AEMO</b>	2 April 2024		
<b>Short issue title</b>	Implementation of the AEMC's National Gas Amendment (Compensation and dispute resolution frameworks) Rule		
<b>Procedure(s) or Documentation impacted</b>	Wholesale Market Settlement Procedures; STTM Procedures; ECGS Procedures and the new documents: Gas Compensation Confidentiality Deed and Guidance on Gas Compensation Determinations		
<b>Other key contact information</b>	<a href="mailto:GWCF_Correspondence@aemo.com.au">GWCF_Correspondence@aemo.com.au</a>		
<b>#</b>	<b>Version</b>	<b>Presented to</b>	<b>Date</b>
1.0	GWCF		2 April 2024

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Australian Energy Market Operator Ltd ABN 94 072 010 327

# Proposed Procedure Change – Detailed Report Section

## Critical Examination of Proposal

### 1. Description of issue

#### 1.1. Background.

The AEMC undertook a review into the gas [compensation and dispute resolution frameworks](#) as part of the required review of the East Coast Gas System (ECGS) compensation framework review. The AEMO extended this consultation to include the compensation regime for the ECGS, Victorian Declared Wholesale Gas Market (DWGM) and Short Term Trading Market (STTM).

The rule change creates a new framework for the assessment of compensation claims for an independent expert to assess compensation claims in the DWGM, ECGS and STTM.

The AEMC published its Final Determination on 1 March 2024, which can be found here: <https://www.aemc.gov.au/rule-changes/compensation-and-dispute-resolution-frameworks>

This consultation process is for the documents required to be consulted on by the AEMC's rule changes as detailed in Attachment A.

#### 1.2. How to make a submission

Anyone wanting to make a submission for this Proposed Procedure Change consultation stage are requested to use the response template provided in Attachment B. Submissions are due **COB 1 May 2024** and should be e-mailed to [GWCF\\_Correspondence@aemo.com.au](mailto:GWCF_Correspondence@aemo.com.au).

#### 1.3. Requirement to consult AER and AEMC

Pursuant to Rule 707(12), AEMO is required to specifically consult the AER and AEMC on the ECGS Procedures for determination and payment of compensation claims. To do this AEMO has invited AER and AEMC representatives to discuss the content of the proposed ECGS Procedures and invite their feedback.

## 2. Reference documentation

The following documents are being consulted on as part of this consultation process:

- (a) ECGS Procedures
- (b) STTM Procedures

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- (c) Wholesale Market Settlement Procedures
- (d) Gas Compensation Confidentiality Deed (new)
- (e) Guidance on Gas Compensation Determinations (new)

## 3. Overview of changes

The marked-up Procedure changes are provided in the attachments to this document, as detailed above. AEMO has provided the PPC response template for participants to make their submissions in response to this consultation.

### 3.1. ECGS Procedures

#### 3.1.1. ECGS Procedures changes for compensation rule changes

AEMO has made the following amendments to these Procedures:

- The changes to this document are primarily made to Chapter 4 Compensation, including:
  - A consistent notice of compensation claim requirements. The ECGS Procedures is able to state what is required for a valid notice of claim, whereas the Guidance on Compensation Determinations states what AEMO requests should be submitted for a notice of claim in the DWGM and STTM.
  - Replace section 4.3 determination and payment of compensation claims with "deleted".
  - Amendments to section 4.4 payment of claims to clarify how AEMO determines who are liable relevant entities.
- Two additional demand zones "MAPS-DE-13" and "PCA-DE-08" have been added to Appendix A of the Procedures.
- AEMO has the following question for relevant entities concerning whether sufficient time has been allowed to provide AEMO information on shipper allocations:

**Question 1:** Are the times specified for AEMO to be provided data from various markets and facility operators in clause 4.4(b)(iii) and 4.4(b)(iv) of the ECGS Procedures appropriate?

- AEMO has the following question concerning the strategies for determining the *compensation funding amount*. AEMO is seeking the input from relevant entities for the strategies by AEMO to determine the *compensation funding amount* in clause 4.4(c).
  - AEMO has amended the term 'affected jurisdiction' to 'affected location' to align with Rule 707(11).
  - AEMO has combined the existing compensation claim processes to become strategies for AEMO's determination of the *compensation funding amount* as part of clause 4.4(c). These strategies reference the affected location definition detailed above.

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- Strategy 1 and Strategy 2 in 4.4(c) were originally developed on the basis of the CEPA report<sup>1</sup> as part of the implementation of ECGS Procedures that concluded in June 2023.

**Question 2:** AEMO has outlined strategies for determining the *compensation funding amount* in clause 4.4(c) of the ECGS Procedures. Are these *compensation funding amount* strategies appropriate? If not, please provide alternate strategies.

### 3.1.2. ECGS Procedures changes for Other Gases Rule changes

The National Gas Amendment (Other Gases) rule changes commenced 12 March 2024 and were gazetted on 21 March 2024 with the publication of the South Australian Government Gazette dated 21 March 2024.<sup>2</sup>

Part 27 rule were updated as part of these amendments. This has required the following changes to the ECGS Procedures:

- changing “Natural Gas Services Bulletin Board” to “Gas Bulletin Board”.
- changing “natural gas” to “gas” and italicising the term within the Procedure to reflect the rule 680 definition.
- deleting the term “identified risk or threat” from the glossary of terms as the rule 680 defines this term.
- changing “*natural gas services*” to “*gas services*”.

These changes are included in the draft ECGS Procedures in Attachment A.

### 3.1.3. Review of the ECGS Direction for Queensland Gas Pipeline

AEMO will be reviewing the ECGS directions issued for the Queensland Gas Pipeline (QGP) incident that occurred from 5 March 2024. In accordance with rule 698 of the NGR and clause 3.6(a) of the ECGS Procedures, AEMO will:

- endeavour to publish a preliminary *post-intervention report* within 1 month of the end of the exercise of all directions relating to the same identified risk or threat; and
- publish a final *post-intervention report* within 4 months of the end of the exercise of all directions relating to the same identified risk or threat.

AEMO still has an active ECGS direction related to the Queensland Gas Pipeline event. AEMO will send a ECGS notice when the direction is revoked, and when the identified risk or threat is resolved.

<sup>1</sup> See [https://www.aemo.com.au/-/media/files/stakeholder\\_consultation/consultations/gas\\_consultations/2023/implementation-of-east-coast-gas-system-procedures/cepa-report-recovering-the-costs-of-gas-directions-and-the-trading-fund.pdf?la=en](https://www.aemo.com.au/-/media/files/stakeholder_consultation/consultations/gas_consultations/2023/implementation-of-east-coast-gas-system-procedures/cepa-report-recovering-the-costs-of-gas-directions-and-the-trading-fund.pdf?la=en)

<sup>2</sup> See [No. 19 - Thursday, 21 March 2024 \(pp. 473–501\) \(governmentgazette.sa.gov.au\)](https://www.gazette.sa.gov.au/gazette/2024/03/21), South Australian Government Gazette no 19, page 495, accessed 22/03/2024.

AEMO expects that there will be learnings from this review and, if required, any compensation claim processes. AEMO will assess any additional changes to the ECGS Procedures that may be proposed as part of this review and the requirements of the National Gas Rules.

## 3.2. STTM Procedures

### 3.2.1. STTM Procedures changes for compensation rule changes

AEMO has made the following amendments to these Procedures:

- The change to this document is primarily made to Section 10.11 which has updated the Procedure to replace dispute resolution panel with independent expert.
- AEMO has also applied the following changes:
  - Added clause 10.11.3(d) to allow AEMO to reassign the compensation charges attributed to a suspended Market Participant to other Market Participants on the basis of withdrawals during the impacted gas day(s).
  - Clarified the action to be undertaken by AEMO in the event a Market Participant is suspended and can no longer able to pay a compensation payment. This ensures the successful Registered participant that lodges the claim is made whole.
  - The compensation charge amount determined by the Independent Expert is final unless amended by the Court (under Rule 135JK).

### 3.2.2. STTM Procedures changes for Other Gases Rule changes

AEMO has discussed the requirements for the Other Gases Rule changes in section 3.1.2 above. Part 20 rule were updated as part of these amendments. This has required the following changes to the STTM Procedures:

- changing “Natural Gas Services Bulletin Board” to “Gas Bulletin Board”.
- deleting the interpretation of “gas” is “natural gas” in section 1.3 of the STTM Procedures as rule 364 now contains a definition of “gas”.
- italicising the term “gas” as is now refers to the Rule 364 definition.

These changes are included in the draft STTM Procedures in Attachment A.

## 3.3. Wholesale Market Settlement Procedures

AEMO has made the following amendments to chapter 4 *compensation procedures* in the Wholesale Market Settlement Procedures that applies to the Victorian DWGM:

- AEMO has amalgamated the principles and methodologies for AEMO to determine compensation amounts.

- Remove the examples for how compensation payments and compensation charges are derived.
- For a compensation claim for an event under:
  - Rule 343 intervention due to system security threat, the compensation amount determination process remains largely unchanged with the Procedure defining a claim should be limited to the direct costs of gas injected, any transmission charges less any market payments received by the market participants.
  - Rule 350 Registered participant claims in respect of application of administered price cap, the compensation amount determination process remain largely unchanged being limited to the minimum of the injection bid price or the direct cost of gas injected.
- AEMO has aligned the definition of direct costs in the *compensation procedures* with the STTM rule 466(2) and the ECGS rule 704(4).
- Clarified how AEMO makes available its analysis of confidential information from the DWGM market outcomes that may be requested by the independent expert to determine a compensation charge assignment to each Market Participant and the DTS SP (if it relates to Ancillary Payments and Uplift Payments) on the impacted gas day(s).
- Clarified the action to be undertaken by AEMO in the event a Market Participant is suspended and can no longer be able to pay a compensation payment. This ensures the successful Registered participant that lodges the claim is made whole.
- The compensation charge amount determined by the Independent Expert is final unless amended by the Court (under Rule 135JK).

### 3.4. Gas compensation Confidentiality Deed

The gas compensation Confidentiality Deed is required to consult on the by rule 135JD(2).

This document has been drafted on the basis of the NEM compensation Confidentiality Deed which can be found on AEMO's website.<sup>3</sup>

### 3.5. Guidance on Gas Compensation Determinations

AEMO is required to publish the Guidance on Gas Compensation Determinations under Rule 135JD(3). Please note AEMO is not required to consult on this Guidance but has chosen to do so for the initial version.

Future amendments to the Guidance can be made at AEMO's discretion.

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<sup>3</sup> See AEMO website link: [https://www.aemo.com.au/-/media/files/electricity/nem/market\\_notices\\_and\\_events/market\\_event\\_reports/2017/independent\\_expert\\_confidentiality\\_deed.pdf?la=en](https://www.aemo.com.au/-/media/files/electricity/nem/market_notices_and_events/market_event_reports/2017/independent_expert_confidentiality_deed.pdf?la=en)

## 4. Likely implementation requirements and effects

The compensation changes embodied by this Rule change require business process changes for AEMO and presumably market participant in the unlikely event that a compensation event occurs in either the DWGM, ECGS or STTM.

## 5. Impact of issue not proceeding

The AEMC's rule changes for the compensation and dispute resolution frameworks adopt the use of an independent expert to assess gas compensation claims. This Procedure change broadly aligns the compensation change process for the DWGM, ECGS and STTM with the process applied in the NEM.

The consequence for not making the proposed changes will result in the DWGM *compensation procedures*, ECGS Procedures and STTM Procedures being misaligned with the new Law and Rules.

## 6. Overall cost, benefits and magnitude of the changes

AEMO considers that the AEMC's [compensation and dispute resolution frameworks](#) rule change provides the assessment of cost and benefits of the rule changes as required by the National Gas Objective (NGO).

## 7. Consistency with the National Gas Rules and National Gas Objective

Regarding these changes, AEMO's preliminary assessment of the proposal's consistency with the NGR and NGO is:

Requirement	AEMO's Preliminary Assessment
<b>Consistency with National Gas Law (NGL) and NGR</b>	AEMO's view is that the proposed procedure change is consistent with the NGL and NGR, as amended in the AEMC's rule change.
<b>National Gas Objective (NGO)</b>	It is AEMO view's that the changes are expected to contribute to the achievement of the NGO by promoting efficient operation and use of covered gas services for the long-term interests of consumers of natural gas with respect to price, safety, reliability and security of supply of natural gas.

If any participant believes that any of the above AEMO views are contentious, this feedback needs to be included in the Attachment B - PPC response template.

## 8. Supporting Documentation

The documents can be found in:

- Attachment A – Consultation documents, include:
  - ECGS Procedures
  - STTM Procedures
  - Wholesale Market Settlement Procedures
  - Gas Compensation Confidentiality Deed
  - Guidance on Gas Compensation Determinations
- Attachment B – PPC response template

## 9. Proposed timelines

The AEMC’s rule change requires AEMO to have the amended Rules and Procedures take effect from 31 July 2024. The Procedure consultation process is as follows:

- PPC published: 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 of Procedures: 31 July 2024



## Attachment A – Consultation documents

The following Procedures are provided in track change format, with additions marked in [blue](#) and deletions marked in [red](#). The version issued for this consultation are attached separately to this document:

- ECGS Procedures v2.0 (PPC) (track changes)
- STTM Procedures v14.0 (PPC) (track changes)
- Wholesale Market Settlement Procedures v2.0 (PPC) (track changes)
- Gas Compensation Confidentiality Deed v0.1 (PPC)
- Guidance on Gas Compensation Determinations v0.1 (PPC)

## **Attachment B – PPC response template**

The 'Attachment B - PPC response template' has been attached separately to this document. There are two sections in the template:

- Section 1 seeks general feedback on AEMO's examination of the proposal and each Procedures.
- Section 2 seeks feedback on specific questions asked in the consultation.
- Section 3 seeks specific drafting proposals for each consultation document.

The process for making a submission is outline in section 1.2 of this consultation document.