AEMO GWCF September 2021

AER Market Performance Branch

aer.gov.au

AER intelligence gathering and reporting

Market Performance (MP) branch, wholesale gas team

Industry Intelligence

Potential misconduct

Market outcomes

AER MP detection through IT screens

- Market data
- Pipeline data
- Bulletin Board data

Participant reporting

Self-reports

Complaints / referrals

Reports via AER Compliance & Enforcement Branch (C&E mailbox)

AER Market Performance

Wholesale gas team

Initial assessments of potential misconduct (cause, material impacts)

Refer to formal investigation

Market analysis

Receive queries on Gas Rule requirements

AER Compliance & Enforcement Branch

Formal investigations

3 investigations (capacity trading) resulting in penalties paid (2020-21)

AER MP reporting

Publications

Forums

Industry meetings

Policy / Market design

Gas reform / implementation

Rule change

AER Surveillance of DAA - Auction Quantity Limits

AER compliance priorities

- Compliance and Enforcement priorities for 2021-22 (https://www.aer.gov.au/about-us/our-role/compliance-enforcement)

Priority 5

Ensure timely and accurate gas auction reporting by registered participants

Surveillance outcomes

- Seven AQL error events by three Facility Operators have been reported to the AER, impacting on single days or across short periods, with some year to year impacts also.

Review of AQLs

Aim: Evaluate AQLs submitted by Facility Operators in the DAA to identify possible incorrect AQLs.

Focus: With more than 2 years of AQL data available the focus will be on identifying potential outliers in the data.

Next Steps: Where outliers are identified, seek information which underpins the AQL derivation and make in-depth inquiries into AQL calculations – within Q4

Error resulting in a lower AQL:

- Distort auction prices and price signals – more expensive
- Less auction capacity available to shippers
- Possible impact on downstream markets – lower gas volumes transported, leading to higher prices

Error resulting in a higher AQL:

- Distorts auction price and price signals – cheaper
- Could lead to auction curtailment
- Facility operators loose potential auction revenue

AER renomination records, record keeping guideline and nominations submissions

Third round of renomination record requests

- Request for renomination records to be sent to Shippers shortly
- Focus on quality of records and adherence to the AER guideline – noting that the DAA has now been in operation for more than 2 years and 2 previous records requests rounds (https://www.aer.gov.au/wholesale-markets/guidelines-reviews/day-ahead-auction-record-keeping-guideline)

Record keeping guideline

- Have already informally consulted with industry participants
- No major issues identified through the initial consultation
- Formlal Review put on hold till Q2 2022

Monthly nominations submissions

- AER portal now being used for monthly pipeline nominations submissions
- Implemented from August onwards

Reporting of Overrun services

- Where applicable been working with some of the Facility Operators to ensure overrun services are reported such that **Firm** nominations can be distinguished from **Overrun** services

AER significant price reporting – July 2021

Summary

- 9 significant price variations of greater than $7/GJ between the D-2 price and ex ante (D-1) price occurred in July.
- First time our reporting obligations under rule 498 have been triggered since 2016.
- The reporting focuses on price changes rather than the high background price level.

		Price ($/GJ) ex ante higher/lower	
Location	**Date**	**D-2**	**D-1**
Sydney	1 July	20.99	12.59
Sydney	7 July	19.00	27.56
Adelaide	9 July	20.00	28.00
Sydney	14 July	26.00	17.74
Sydney	15 July	22.45	13.75
Sydney	17 July	22.45	14.30
Sydney	19 July	23.78	16.24
Sydney	26 July	25.00	15.00
Sydney	27 July	21.70	13.05

High level observations

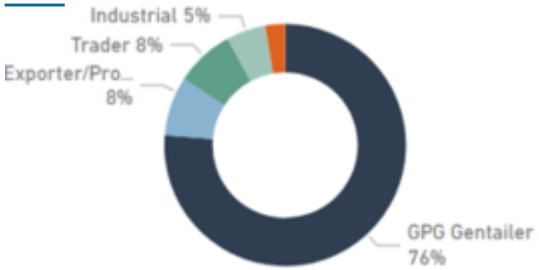
- Lower ex ante prices (7 days in Sydney):

  Additional gas offered at more favourable prices in the ex ante schedule (by Exporter/Producer participants and Traders to some extent).
- Higher ex ante prices (1 day Sydney & 1 day Adelaide)

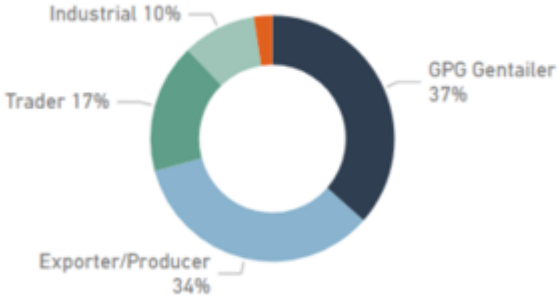
  High background price level, Iona/Longford restrictions, higher international prices and high demand all contributed to setting the stage for higher prices

Price setting Sydney in July

D-2



D-1



Next steps

- Concluding industry consultation
- Report release timing second half of October