

Recent Market Events & General Update

September 2022

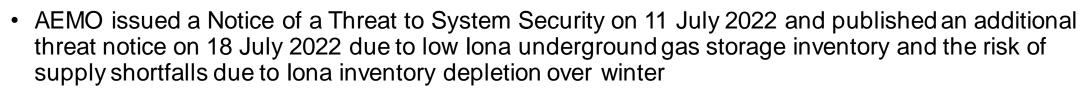


Overview

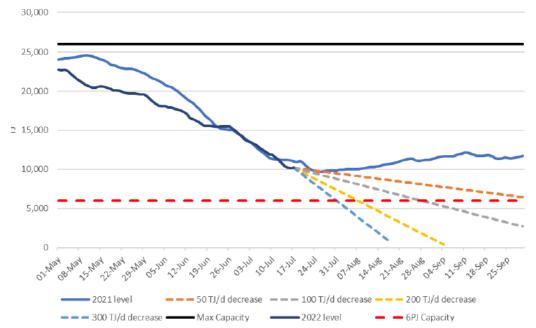
- Iona storage depletion
- DWGM LNG storage measures
- DWGM Participant Compensation Claims



Iona Storage Depletion



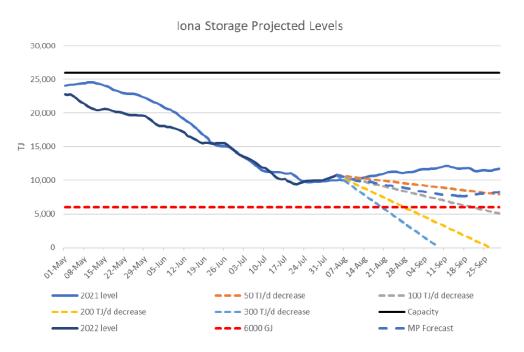
- In the threat notice, AEMO requested:
 - Market Participants to cease purchasing gas from the DWGM to ship to other jurisdictions
 - Victorian gas generators connected to the DTS are not to generate using gas without supplying a corresponding quantity of gas into the DTS
- Iona storage inventory reduced at an average daily rate of ~200 TJ/d from 1-11 July
- If this rate of decline continued, lona storage inventory would reduce to 6 PJ by 6 August
- At this inventory level, lona supply delivery capacity may begin to reduce, with this supply capacity reduction increasing if the lona inventory continued to decline



Iona Storage Projected Levels

Iona Storage Depletion

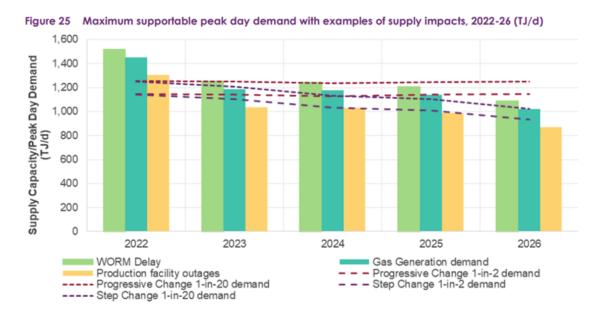
- On 10 August, AEMO issued an updated notice, noting that since 21 July Iona inventory increased from 9.4 PJ to 11 PJ on 7 August. Based on information provided at the time Iona inventory was expected to stay above 6 PJ
- As such, from 2 August participants were no longer requested to support controllable withdrawals from the DTS into Iona UGS with corresponding supply, and from 11 August allow limited net withdrawals from the DWGM by Victorian gas generators.
- Participants were still requested to cease purchasing gas from the DWGM via controllable withdrawals from the DTS, unless withdrawing into lona UGS
- The gas supply threat due to lona inventory depletion during this winter peak demand period (that ends on 30 September) has eased. AEMO is reviewing the current DWGM threat notices and the Gas Supply Guarantee.



Iona Storage Depletion



- Below 6 PJ level (~25% of storage capacity)
 - The withdrawal capacity could vary anywhere between half and full capacity.
 - Many factors can affect the withdrawal capacity, including how the gas has been withdrawn, any gas injected, duration of injection or withdrawal, etc;
 - Directionally, the overall withdrawal capacity will decline faster the more of the ~6PJ is withdrawn.
- From Chapter 4 Managing risks to supply adequacy, 2022 VGPR Update:



DWGM LNG storage measures



 The AEMC has published a consultation paper on an urgent rule change request seeking to reduce risks to system security and improve reliability of supply in the DWGM between winter 2023 and 2025

AEMO is to:

- Act as buyer of last resort for capacity at the Dandenong liquified natural gas (LNG) storage facility and hold all uncontracted tank capacity
 - If a retailer then wants to contract capacity, AEMO would relinquish that capacity to allow the retailer to take it
- Act as supplier of last resort in relation to the use of its LNG stock.
 - AEMO's LNG stock is to be scheduled after other market participants
 - $\,\circ\,$ AEMO's inventory would be priced at VOLL
 - It only go into the market as a supply of last resort



DWGM LNG storage measures

The proposed rule also sets out:

- The contractual arrangements to be put in place between AEMO and the APA to support AEMO's roles as buyer and supplier of last resort
- How the costs AEMO incurs as buyer and supplier of last resort are to be recovered from market participants
 - $\circ~$ the contracting costs will go onto DWGM participant fees
 - AEMO imbalance costs will go into the linepack account
- The accountability and transparency measures that would apply to AEMO in its capacity as buyer and supplier of last resort
 - New Public Procedures will be required to be developed to show how AEMO's LNG capacity is to be used, when AEMO relinquishes capacity, when AEMO can sell its LNG inventory through bilateral agreements, etc.
- Further information from AEMC <u>DWGM interim LNG storage measures | AEMC</u>

DWGM Compensation Claims

- AEMO has received compensation claims for June and July billing periods
- Aggregate claim value around \$1.2 million
- Claims are made on the basis that the cost of gas supplied was higher than the APC of \$40/GJ
- Rule 237 of the NGR prescribes the process for a market participant to claim compensation
- A dispute resolution panel (DRP) is formed to assess the claim
- Rule 238 requires the DRP to make a determination consistent with the compensation procedures, on both:
 - Amount of compensation payable (based on direct costs for gas scheduled at price steps above APC)
 - Basis for recovery of compensation amount from market participants (will occur through settlement process)

DWGM Compensation Claims

- Wholesale Market Compensation Procedure (Victoria) does not sufficiently address compensation and funding where gas is scheduled at bid prices above APC:
 - Lack of detail on the process for validating claims for this scenario
 - Funding principles do not specifically cover this scenario
- Additional changes based on the experiences of this winter will need to be made and consulted on in the near future
- Compensation process for this claim will be based on the existing procedure to the best extent possible
- AEMO will propose that the DRP consider two options for funding any compensation awarded:
 - Causer pays participants that were in negative imbalance, which relied on gas injections above APC to be able to meet their demand including controlled withdrawals
 - User pays pro-rate based on the proportion of aggregate withdrawals for the affected gas days (similar to common uplift principle)



DWGM Compensation Claims

- Process
 - Wholesale Energy Market Dispute Resolution Advisor (WEMDRA) has established a DRP
 - Formal notification will be sent to the market in the next day or so via SWN advising of the claim
 - As the compensation amount is funded by Market Participants, any participant wishing to be involved in the DRP process may contact WEMDRA
 - Date will be finalised shortly for DRP to determine claim



For more information visit

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