Gas Wholesale Consultative Forum

Meeting Pack – 21 March 2024

We acknowledge the Traditional Owners of country throughout Australia and recognise their continuing connection to land, waters and culture.

We pay respect to Elders past and present.

Agenda

1. Welcome and Housekeeping
2. AER Update – Gas Transparency Measures
3. AEMC Update – Compensation rule change and review into the arrangements for failed retailers' electricity and gas contracts
4. Consultation and Implementation Update
5. Other Business

1.1 - Forum Housekeeping

- Please mute your microphone, this helps with audio quality as background noises distract from the information being shared.
- Video is optional, but having it turned off helps with performance and minimises distractions.
- We ask that you utilise the Chat function for any questions or comments you may have. This aids note keeping and keeps discussions flowing smoothly.
- Raise your hand if you wish to speak to an item. This keeps conversations orderly.
- If you have dialled in via phone, please email gwcf_correspondence@aemo.com.au your name and organisation for our records.
- If you name appears abbreviated on Teams, please add your name and organisation to the chat for our records.
- For anyone from media this is an industry forum please contact AEMO's media (AEMO.Media@aemo.com.au) if you require any information.
- Be respectful of all participants and the process.

1.2 - Meeting Recording

- Please note that this meeting will be recorded by AEMO and may be accessed and used by AEMO for taking meeting notes. By continuing, you consent to AEMO recording the call and using the recording for this purpose. If you do not consent, you may exit the meeting. No other recording of the meeting is permitted.

1.3 - AEMO Competition Law Meeting Protocol

- AEMO is committed to complying with all applicable laws, including the Competition and Consumer Act 2010 (CCA). In any dealings with AEMO regarding proposed reforms or other initiatives, all participants agree to adhere to the CCA at all times and to comply with this Protocol. Participants must arrange for their representatives to be briefed on competition law risks and obligations.
- Participants in AEMO discussions must:
  - Ensure that discussions are limited to the matters contemplated by the agenda for the discussion
  - Make independent and unilateral decisions about their commercial positions and approach in relation to the matters under discussion with AEMO
  - Immediately and clearly raise an objection with AEMO or the Chair of the meeting if a matter is discussed that the participant is concerned may give rise to competition law risks or a breach of this Protocol
- Participants in AEMO meetings must not discuss or agree on the following topics:
  - Which customers they will supply or market to
  - The price or other terms at which Participants will supply
  - Bids or tenders, including the nature of a bid that a Participant intends to make or whether the Participant will participate in the bid
  - Which suppliers Participants will acquire from (or the price or other terms on which they acquire goods or services)
  - Refusing to supply a person or company access to any products, services or inputs they require

Under no circumstances must Participants share Competitively Sensitive Information. Competitively Sensitive Information means confidential information relating to a Participant which if disclosed to a competitor could affect its current or future commercial strategies, such as pricing information, customer terms and conditions, supply terms and conditions, sales, marketing or procurement strategies, product development, margins, costs, capacity or production planning.

AEMO has published its Competition Law Meeting Protocol on the AEMO website. For further information, please see the Competition and Consumer Act.

1.4 – Previous Meeting Notes

- AEMO has finalised, via email, the meeting notes with GWCF participants.

- The meeting minutes are published on the AEMO website:

https://www.aemo.com.au/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/gas-wholesale-consultative-forum

2 – AER update

Tom Baker

AER Gas Surveillance Oversight

Gas Bulletin Board

AER Gas Surveillance staff are actively monitoring reporting under “Gas Transparency Measures”

Focus of this presentation:

<u>Gas Market Transparency</u>

- Short Term Transaction Reporting
- Reserves and Resources Reporting

AER Compliance and Enforcement Priority #5

Clarify obligations and monitor compliance with reporting requirements under the new Gas Market Transparency Measures

Short Term Transaction Reporting

Compliance

- Since reporting commenced in March 2023, we have been working through anomalies in reporting with participants
  - Some incorrect data
  - Some non-reported data (e.g. other side of swaps).
- We published our STT special report in December 2023:
  - https://www.aer.gov.au/publications/reports/performance/wholesale-gas-short-term-transactions-reporting
- We will continue to identify anomalous data and when participants have not been reporting.

General observations

- We still come across participants who are unaware of their STT reporting requirements.
- Both parties are required to report their end of swap agreements. In some cases, we have only seen one leg of a swap transaction being reported.
- Transactions linked to JKM futures index price needs to be following BB rules: participants are required to report the reference price as reported on the Intercontinental Exchange on the trade date.
- We remind participants of their obligation to report all contracts of up to a year in length to AEMO (example: 1 January to 31 December).
- Our focus over the next quarter will be to ensure all STT transaction have been reported.

Reserves and Resources Reporting – Observations

Milestone – 1st full year of reporting

Reporting commenced in March 2023

- We now have 12 months of reserves & resources data, covering all registered gas field owners
- Gas field owners report annually to:
  - AEMO: reserves & resources information (potential intra-year updates)
  - AER: reserves price assumptions

Compliance with Reporting Requirements

- AEMO & AER have recently received calendar year 2023 data
- Some participants continue to report late or do not report all required data
- However, there is continuing improvement in the quality of reporting

to AER	to AEMO
➢ missing details in price assumptions	➢ missing reserves & resources details
➢ missing verification statements	➢ different approaches to field naming

AER to Publish Reserve Price Assumptions Report

- Under the Gas Rules, the AER is required to publish, at least annually, on the reserve price assumptions used by gas field owners to prepare reserve estimates.
- In early April 2024, we will publish our first price assumptions report.
- The report will highlight:
  - 2022-23 FY & 2023 CY price assumptions (aggregated & anonymised).
  - Feedback from 14 stakeholders.
  - Options for future reports, informed by on-going stakeholder feedback.

Next Steps

- Focus on next round of reserves & resource reporting (2023-24 financial year).
- Further interrogation of data reported to AEMO.
- Look at reporting framework issues, noting there has been reporting challenges for some participants (field & tenement boundaries, reporting by non-operators of fields etc).

Guidance Note

- Field owners should consult the AER's **Guidance Note – Reserves and Resources Reporting by Gas Field Owners**. We will continue to update this publication to provide guidance on how to report and on the AER's compliance expectations

Correspondence with AER

Gas Market Transparency

Any questions: AERGasMarketsBB@aer.gov.au

Compliance

- We encourage self-reporting where there is potential non-compliance
- There is a self-reporting process to the AER for non-compliance – link here
- Send self-reports to AERCompliance@aer.gov.au

3 – AEMC update

Harrison Gibbs

Compensation and dispute resolution frameworks (GRC0067)

Project update: Compensation and dispute resolution frameworks

Final determination and final rule published on 7 March 2024.

The final rule:

- establishes a new compensation framework in the NGR (by establishing two new divisions in Part 15C of the NGR). This means separating the current dispute resolution arrangements from the arrangements for determining compensation claims.
- refines the framework for compensation for AEMO directions in the ECGS. The Commission's final determination:
  - limits the costs that are eligible for compensation to direct costs only, to incentivise market supporting behaviour before an AEMO direction
  - inserts principles into the NGR to guide AEMO's cost recovery methodology for compensation claims under Part 27 (these largely align with the current demand-driven approach adopted by AEMO, with some amendments)
  - inserts a new rule to support appropriate behaviour in response to an AEMO direction and deter unwanted behaviour, i.e. prohibits the intentional or reckless exacerbation of costs in response to an AEMO direction without reasonable cause, but without capturing legitimate business decisions having regard to legitimate business interests.
  - increases the minimum claim threshold to $50,000 and does not allow for different entities to join claims.
- includes consequential changes to the DWGM and STTM. The Commission's final determination is to make consequential changes to Parts 19 and 20 of the NGR to apply the new compensation framework under Part 15C to compensation claims under those Parts arising from AEMO directions and intervention, market suspension and administered pricing. Claims relating to unintended scheduling results under Part 19 or scheduling errors under Part 20 continue to be assessed under the existing dispute resolution framework.
- does not change the existing dispute resolution provisions.

Key changes from draft to final

Key changes from the draft to final included:

- **Changed wording of NGR rule 706**: The intent of this rule is to prohibit intentional or reckless exacerbation of costs in response to an AEMO direction without reasonable cause. The wording in the final rule clarifies what is meant by exacerbation of costs and to make it clear that this prohibition does not capture legitimate business decisions having regard to legitimate business interests.
- **Direct costs of gas directed from storage to be calculated using the cost of replacing the gas**. Under the final rule, the direct cost of replacing stored gas is the cost of replacing that gas (net of market revenues or other financial benefit received), not the cost of acquiring these stores, to preserve the incentive to maintain physical hedges and invest in storage.
- **Roles and responsibilities of AEMO, the independent expert and claimants:**
    - Under the final rule, AEMO can extend the time for nomination of the independent expert where the claim relates to an ECGS direction to take gas from storage. As direct costs will be based on the costs to replace the gas in storage, the time for making the claim needs to allow for this to occur. This change from the draft rule to the final rule aligns with the Commission's decision to compensate the direct costs of gas directed from storage at the replacement cost of that gas.
    - The final rule strengthens claimants' responsibility to provide information to the independent expert regarding (1) mitigation of direct costs and (2) funds, payments, compensation or another financial benefit received by the claimant for undertaking the activity required by the direction. This change from draft to final supports the intended operation of the framework in compensating for direct costs net of any financial benefit and not compensating where the claimant has failed to mitigate its direct costs.
- **Minor changes to cost allocation principles**. In order to avoid double counting, the Commission has amended the final rule by replacing LNG 'project' with LNG 'facility'.
- **Extended implementation period.** To avoid condensed timelines for both AEMO to develop the changes to its Procedures and for industry to respond to the changes, the Commission has changed the rule commencement date from 27 June to 31 July 2024.
- **Other minor drafting changes**. The Commission has made minor drafting changes to provide additional clarification on some matters raised by stakeholders.

Implementation

- The Commission's final determination is that the new compensation framework (as well as the consequential changes to the DWGM and the STTM) will come into effect on 31 July 2024.
- By that date, AEMO is required to review, and where necessary update, the following Procedures to ensure alignment with the final rule: the STTM Procedures; the Wholesale Market Procedures; and the East Coast Gas System Procedures.
- Further, by the commencement date, AEMO is required to make and publish guidance on the expert determination process and prepare, consult and publish a form of confidentiality deed to allow the independent expert to engage with a claimant.
- Any existing claims that are not finally dealt with or decided immediately before the commencement date will be dealt with by the existing (old) rules.

Review into the arrangements for failed retailers' electricity and gas contracts (RPR0016)

Background and scope

Background	Between 24 May and 1 September 2022, seven authorised retailers failed and triggered RoLR events (1 in gas, and 6 in electricity). Prior to this, the RoLR scheme had only been used 4 times since the NECF was introduced in 2012. In October 2022, we self-initiated this review seeking to improve the RoLR arrangements.
Scope of the Review	The review looked to identify ways in which the Retailer of Last Resort (RoLR) scheme may be improved for both electricity and gas RoLR events. Today's presentation will only focus on our recommendations for the gas directions framework.
Process to date	Consultation paper: 13 October 2022 Directions paper: 11 May 2023 Draft report and draft recommendations: 22 February 2024 Submissions due 4 April 2024 Final report and final recommendations: Late 2024

Overview of the RoLR scheme

- The Retailer of Last Resort (RoLR) scheme facilitates the orderly transfer of customers from the failed retailer to an alternative retailer/s.
- If the RoLR scheme is triggered, the customers of the failed retailer are immediately allocated to one or more other retailers that the AER determines.
- The RoLR scheme has been used several times since it was created and has primarily involved shifting customers from small failed retailers to larger retailers.
- The AER may trigger RoLR events for a range of reasons, set out below:
    1. Revocation of retailer authorisation
    2. Suspension of wholesale trading rights
    3. Cessation of sale of energy
    4. Appointment of insolvency official
    5. Order or resolution for winding up.

- For gas RoLR events the AER can direct contracts for gas supply and pipeline capacity held by the failed retailer to be made available to the designated RoLR.

Recommended changes to the gas directions framework

	Current process	Draft recommendations 1-6	
Direction to supply gas	When is the direction issued: there is no declared wholesale gas market or short term trading market or where, in the opinion of the AER, sufficient capacity or gas is not available in a short term trading market	The AER must issue gas directions in the event of a gas RoLR, unless it reasonably considers that doing so would not benefit the designated RoLR or consumers.	Recommendation **1**
	What must the directed entity do: can be directed to make gas supply and pipeline capacity available to the designated RoLR that was available to the failed retailer immediately before the transfer date on equivalent terms. *The designated RoLR "may but is not obligated to" use any or all of the gas*	Expand the scope of directions to include storage contracts and the gas held in storage by the failed retailer.	Recommendation **5**
	Customer benefits from directed gas: no requirement on the designated RoLR to pass through any low costs from the directed gas onto customers	Place a requirement that designated RoLRs must pass the financial benefits of gas directions on to customers.	Recommendation **6**
Direction to negotiate	What negotiation must take place: as soon as practicable after the transfer date, commence negotiations for novation or replacement contract.	There is no requirement to negotiate. The failed retailer and gas supplier may go out to market immediately and sell the gas supply contract for the period beyond the direction period.	Recommendation **3**
	Who negotiates: the gas supply counterparty must commence negotiations with the designated RoLR *and failed retailer* (if still solvent) for either the novation or a replacement contract.	There is no requirement to negotiate. However, the designated RoLR and the failed retailer can negotiate for the novation of the contract if they wish.	
Duration and when the direction ends	• If, after 3 months, no agreement is reached, the failed retailer must put the gas up for sale by auction. Must use best endeavours to ensure the auction is completed and gas sold within 6mths of the transfer date. • Direction ceases to have effect once contract is sold either to the RoLR within the 3mths, or to another counterparty after the 3mths.	• Period of direction is extended from 3 months to 6 months. No mandatory negotiation takes place, and the auction process is removed. • Direction ceases to have effect if the contract is sold to the designated RoLR within the 6 months, or after the 6 months.	Recommendation **2**
Directions for contracts that begin or expire during directions	What happens if the contract expires during the direction period? Currently ambiguous	Make explicit that the direction: • cannot continue in force after a contract is or would have been due to expire during the direction period. • continues in force if a contract has extension terms that are at the sole discretion of the failed retailer.	Recommendation **4**
	What happens if the contract was due to commence during the direction period? Currently ambiguous	Make explicit that the direction applies for contracts that are due to commence during the directions period.	

4– Consultation and Implementation Update

Consultation Summary

Consultation	Consultation Stage	Next Steps
East Coast Gas System Reforms	Government preparing rule change requests for submission to the AEMC.	AEMC-led rule change process. See Energy Ministers announcement.
National Energy Laws Amendment (Other Gases) Bill 2022	The bill has passed SA Parliament. The Law amendments still needs to be proclaimed.	AEMO expects proclamation before end of March.
Hydrogen rule change and DWGM Distribution connected facilities	AEMO consultation webpage Awaiting SA government gazettal.	Notice of Effective Date to be published following proclamation.
Hydrogen rule change for STTM, Retail Market Procedures (NSW/ACT, QLD, SA), GBB, GSOO	AEMO's Procedure changes for: STTM and Retail: Completed by 3 December 24 for 3 March 25 GBB: To be completed by 3 March 25 GSOO: To be completed by 31 July 24	AEMO undertaking Procedure changes in 2024. IIR for GSOO Procedures will be published 28 March 2024.
Compensation and dispute resolution frameworks	AEMC final determination published.	AEMO to begin Procedure consultation shortly.
STTM Procedure change for removal of CTP	IIR submission due 19 March 2024 Decision 28 March 2024	Effective: 22 April 2024

GSOO Procedure amendments for Hydrogen

- Consultation dates:
  - Expected IIR publication date: 28 March 2024
  - Expected IIR consultation submissions due: 14 May 2024
  - Expected Decision publication date: 11 June 2024
  - Expected Effective Date of Procedures: 31 July 2024
- The GSOO Procedures amendments:
  a) expand scope of *GSOO reporting entities* in line with hydrogen and other renewable gases rule change;
  b) clarify steps involved to request an exemption from the GSOO survey;
  c) remove requirement for changes to survey templates and GSOO timeline to be raised for discussion at a relevant forum

Procedures changes for Hydrogen

- This change applies to the STTM and Gas Retail Markets (non-Vic and WA)
- AEMO expects to start the Procedure consultation before the date shown. The following is provided as an indicative latest consultation timeline.
- The dates of the consultation if we complete the Procedure change by 3 December are:
  - Expected PPC publication date: 13 August 2024
  - Expected PPC consultation submissions due: 10 September 2024
  - Expected IIR publication date: 8 October 2024
  - Expected IIR consultation submissions due: 5 November 2024
  - Expected Decision publication date: 3 December 2024
  - Effective Date of Procedures: 3 March 2025

- The transitional rules require the Procedures to be made, at latest, by 3 December 2024 for the effective date of 3 March 2025.
- See AEMC final rule change: Review into extending the regulatory frameworks to hydrogen and renewable gases | AEMC

AEMC's compensation rule changes

- AEMO will be amending the following Procedures to reflect the AEMC's final determination on the compensation and dispute resolution framework:
  - DWGM Procedures
  - STTM Procedures
  - East Coast Gas System Procedures
- AEMO is also expected to consult and publish a form of confidentiality deed to allow the independent expert to engage with a claimant.
- Expected consultation dates:
  - 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
  - Decision publication date: 10 July 2024
  - Effective date: 31 July 2024

5– Other business

5a. 2024 GSOO webinar

- Last chance to register for the GSOO webinar later today.

Date: Thursday 21 March 2024

Time: 3:30 PM to 5:00 PM

- See webinar site to register: 2024 GSOO Webinar

5b. Gas Market Parameter Review – multi-market cap trigger

- Did not receive overwhelming support for multi-market cap trigger
- Energy Ministers have agreed to a package of proposed Stage 2 Reliability and Supply Adequacy reforms, including a gas PASA which would be a forward-looking tool for risk.
- These Stage 2 reforms may affect how we could reduce or mitigate inefficient outcomes in the gas markets during tight supply conditions.
- Trigger for next review is AEMC's reliability panel review under clause 3.9.3A of the NER (expected April 2026)

5c. DWGM - April 2024 amendment to User Guide to MIBB Reports

- Participant feedback from December GWCF was the data in INT126 was not used by any participant in their demand forecasts.
- AEMO has undertaken the consultation process required by the Wholesale Market Electronic Communication Procedures.
- See consultation webpage: AEMO | April 2024 amendment to User Guide to MIBB Reports
- Next Step: Notice of Decision: 28 March 2024

5d. DWGM – Distribution UAFG benchmark changes

- The ESC's Review of Unaccounted for Gas Benchmarks published their review of DUAFG benchmarks:
  - Review of Unaccounted for Gas Benchmarks (esc.vic.gov.au)
- The ESC changed the benchmark period from a calendar year basis to a financial year basis.
- The Wholesale Market Distribution UAFG Procedure calculation use calendar year benchmark periods and allows for separate DUAFG periods within a calendar year.
- AEMO considers that the existing Distribution UAFG Procedures are fit for purpose and do not require a change.
- Participants will first see the impact of this change in the application of the Wholesale Market Distribution UAFG Procedures process applied once the December 2023 revision are published (in approximately June 2024).

5e. DWGM – MCE replacement

- The DWGM's Market Clearing Engine (MCE) was developed in 1998 at market start.
- The MCE produces the pricing schedule (market price) and operating schedule (scheduled quantity).
- The MCE has been unchanged, except for a redevelopment in 2007 for intraday scheduling, since market start.
- AEMO is refreshing the MCE as software standards and system requirements have changed over time.
- AEMO will be hosting a meeting to discuss the MCE refresh with DWGM participant before the next GWCF.

5f - STTM – Planned database migration

STTM IT systems refresh

- The STTM has been hosted on the same IT server platform since market start.
- AEMO will be moving STTM systems to new servers.
- This is being done to improve reliability and reduce support costs.
- AEMO is undertaking testing to minimise risks with this IT change, and will be running production servers (new and old) in parallel for 1 month prior to cut-over to make the transition as seamless as possible.

Timeline

- Internal UAT will conclude in March
- Preprod testing will run for 2 weeks
- Parallel production environment operation will occur from start of April, through to cut-over
- The cutover is expected to occur in mid-May, watch out for the IT change notification

AEMO

IT Change Notification

Change Number		Notification issued to	
Environment			
Change Type			
Risk			
Service/Component			
Change Title			
Change Start Date & Time		Change End Date & Time	
Outage Start Date & Time		Outage End Date & Time	
Change Description/User Impact and Requirements			
Support Information	Report any impacts to the AEMO Information and Support Hub or call 1300 236 648.		

Impact to Market Participants

- This refresh activity will not change system functionality
- Market Participants do not need to make any updates to their systems
- AEMO interfaces will remain the same
- AEMO will be inviting some participants (facility operators and shippers/users) to assist with testing prior to cut-over to ensure that systems perform as expected

Any questions?

Contact: gasmarketops@aemo.com.au

5g. Submitting tickets to AEMO Support Hub

Reporting incidents and submitting queries

Agenda

1. Contacting Support Hub
2. Information to include in your enquiry
3. Prioritisation
4. Examples

Contacting Support Hub

The AEMO Support Hub should be the first point of contact for market participants if you have a query or an issue with the market systems.

- Website form :https://aemo.com.au/en/contact-us
- Phone: 1300 236 600
- Email: support.hub@aemo.com.au

When you call SupportHub, you will receive an email with the ticket number as it is raised. Please refer to this number in any further correspondence with the SupportHub.

Information to include in your enquiry

- As a minimum, participants should provide the following information in a call or email:
  - Company ID
  - Your contact details
  - The market the query relates to (e.g. GSH, Gas Retail, etc)
  - Any interface or application you are using (e.g. Markets Portal, FTP)
  - If the issue occurs in Production or Pre-Production
  - A description of the issue listing any specific files and error messages and any troubleshooting steps you have performed so far.
  - Screenshots and error logs can be really beneficial for troubleshooting and should be included if it’s practical

Prioritisation

Support Hub staff are trained and have a knowledge system at their fingertips to enable them to assign tickets to the right teams within AEMO. However, Support Hub staff are not subject matter experts and may need to follow up with additional questions or contact other staff internally to ascertain the priority level to assign to your ticket.

To speed up the process, in your call or email, please specify:

- the time that the issue is required to be resolved by (if known)
- if the issue will impact compliance with rules or procedures
- if you have a workaround in place
- any additional points that can provide context around the urgent nature of the request

If your issue is urgent, we ask that call the Support Hub first **and then** send an email. This enables the Support Hub to contact relevant teams ahead of the details of the problem being sent through, so that resources are assigned as soon as practicable.

Example 1: insufficient information

To: AEMO Support Hub

From: Tim@BetaEnergy.com.au

Subject: Bid confirmation report not received

Hi AEMO,

We have not received a bid confirmation report this morning after we updated our steps for Vichub. Can you please confirm asap that it has been accepted?

Regards

Tim

Email Signature

Example 2: concise and informative

To: AEMO Support Hub

From: Tim@BetaEnergy.com.au

Subject: DWGM – MIBB report issue – Urgent

Attention: Sandra

As per our phone conversation just now, we have not received an updated bid confirmation report (INT103a) this morning after we submitted new bids at 10:30 for the Vichub inj point. This is for entity BetaEnergyNo1, Company Id 401.

We tried resubmitting bids just now, but the confirmation report is still not updating. I'm logged into the MIBB and can see other reports just fine.

The cut-off time for bids is at 1pm (1.5 hours away) and we need to know if this has been received.

Can you please confirm asap that it has been accepted?

Regards

Tim

Email Signature

5h - Other items

5h - Other Items

- GWCF meeting dates:
  - June – 5 June 2024
  - September – 18 September 2024
  - December – 4 December 2024
- Summary of action items
- Other items?

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AUSTRALIAN ENERGY MARKET OPERATOR

For more information visit

aemo.com.au