

STTM EVENT REPORT: GAS DAY 1 MAY 2012 AT BRISBANE HUB

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Glossary

Terms or Abbreviations	Explanation
AEMO	Australian Energy Market Operator
AEST	Australian Eastern Standard Time
MIS	Market Information System
MOS	Market Operator Services
NGR	National Gas Rules
RBP	Roma to Brisbane Pipeline
STTM	Short Term Trading Market

1 Summary and purpose

On 1 May 2012 APA Group advised that they were forecasting pressure conditions below acceptable operating levels at the Brisbane hub for gas day 1 May 2012.

In accordance with the National Gas Rules (NGR), this represents a contingency gas trigger event and therefore AEMO triggered the contingency gas process. The contingency gas process commenced with an assessment conference, in which APA Group advised that pressures downstream of the Ellen Grove pressure reduction station, which had been trending down, were recovering steadily as a result of a reduction of customer load. Given the circumstances and APA's advice, AEMO did not consider it necessary to call an industry conference. Further, AEMO determined that no contingency gas was required for gas day 1 May 2012, and published a notification advising the market accordingly.

This event did not affect pricing or settlement outcomes in the market. It did, however, raise an issue regarding the lack of clarity of what "acceptable operating levels" are and how they align with contingency gas benchmark information provided to AEMO under the STTM Procedures. This issue is discussed in section 5.4 of this report and will be explored further by AEMO in consultation with STTM participants and stakeholders.

Please note that all times in this report are expressed in Australian Eastern Standard Time (AEST).

2 Background

2.1 Event reporting requirements

Rule 497 of the National Gas Rules (NGR) requires AEMO to publish a report within 30 business days after the conclusion of a reviewable event.¹ In this instance, the reviewable event is AEMO publishing a notice under rule 441 advising the market of a contingency gas trigger event².

The report must include:

- a description of the reviewable event;
- AEMO's assessment of –
 - the actions taken by Trading Participants, STTM facility operators, STTM distributors and AEMO in relation to the reviewable event;
 - the effect of the reviewable event on the operation of the STTM;
 - whether the provisions of Part 20 of the NGR (i.e. the rules relating to the STTM) were adequate to address the reviewable event; and
 - any other matter that AEMO considers relevant;

¹ Rule 497(2) of the NGR defines a reviewable event as:

- (a) an administered price cap state, administered ex post pricing state, market administered scheduling state or market administered settlement state, or a series of such states that relate to the same underlying event or circumstances; or
- (b) a contingency gas trigger event in respect of which AEMO publishes a notice under rule 441 and (if applicable) the scheduling and provision of contingency gas in relation to that contingency gas trigger event.

² Rule 440(1) of the NGR define four contingency gas trigger events:

- a) Pressure conditions are forecast to be under or over acceptable operating levels at a hub or a custody transfer point. Note that intraday pressure issues can arise even when supply and withdrawal is balanced over the day.
- b) An STTM facility is forecast to be unable to meet the normal seasonal levels of daily delivery capacity to the hub.
- c) An event, upstream of an STTM distribution system, could reasonably be expected to adversely affect the supply of natural gas to that STTM distribution system.
- d) Price taker bids in an ex ante market schedule or an outlook schedule issued by AEMO are not fully scheduled due to inadequate supply of natural gas to that hub on that gas day.

For the purposes of this event, the trigger under rule 440(1)(a) applied.

- in the case of a reviewable event which is a contingency gas trigger event, if applicable, AEMO's reasons for not scheduling any price steps that were:
 - contained in contingency gas offers and were below the high contingency gas price; or
 - contained in contingency gas bids and were above the low contingency gas price.

2.2 Review of Division 8 of the National Gas Rules

Rule 493 requires AEMO to review the operation of Division 8 of the NGR (Part 20, Division 8 of the NGR outlines the contingency gas arrangements for the STTM) after the first time contingency gas is scheduled in respect of a contingency gas trigger event. AEMO must undertake the review in accordance with the extended consultative procedure outlined in rule 9A of the NGR.

As no contingency gas was scheduled in this instance, a review of Division 8 is not required.

2.3 Contingency gas process

The NGR and STTM Procedures define a process that AEMO, as the market operator, must facilitate and administer whereby contingency gas can be scheduled. Contingency gas is a mechanism for balancing supply and withdrawals at a hub when both the ex ante market and bilateral intraday pipeline flow variations are unable (or not expected to be able) to match supply and demand within or over a gas day. Contingency gas provides pipeline operators and distributors with a means of avoiding, or at least minimising, the need to involuntarily curtail shippers supplying the hub or users at the hub.

In the STTM, facility operators are responsible for the operation of their respective facilities. As such, the contingency gas process, and AEMO's decision making in respect of the need for contingency gas to be scheduled, is dependent on input from trading participants and facility operators on supply/demand requirements and the physical operation and capabilities of the facilities on any given gas day. Therefore, the process by which contingency gas is scheduled is consultative, in which AEMO assesses the situation and leads a discussion with the industry on what response is needed and what is possible.

The contingency gas process includes the following sub-processes:

1. Trigger Event
2. Assessment Conference
3. Industry Conference
4. Contingency Gas Determination
5. Confirmation of Contingency Gas bids and offers
6. Scheduling Contingency Gas
7. Notification Requirements

Attachment A provides a summary of the contingency gas process.

3 Event description

At 19:05 on 1 May 2012, APA Group advised that they were forecasting pressure conditions below acceptable operating levels downstream of the Ellen Grove pressure reduction station at the Brisbane hub for gas day 1 May 2012. As a trigger event³ for contingency gas had occurred, AEMO commenced the contingency gas process.

At 19:26 AEMO notified the market that a contingency gas trigger event had occurred via a market notice and also via email and SMS.

Shortly after, AEMO notified the facility operator and the distributors at the Brisbane hub via Whispir messaging service (using email and SMS) that an assessment conference was to be held at 19:40.

At the assessment conference (at 19:40), APA Group advised that pressures downstream of the Ellen Grove pressure reduction station, which had been trending down, were recovering steadily as a result of a significant reduction of customer load. As a result of the information provided by APA, AEMO determined no contingency gas would be required, this was agreed to by all parties at the assessment conference. It was agreed no industry conference would be required and a market notice detailing the outcome of the assessment conference would be sufficient.

At 20:03 AEMO notified the market, via a market notice and also via email and SMS, that contingency gas was not required for gas day 1 May 2012 at the Brisbane hub and that an industry conference was therefore not required.

4 APA comments

18:22 – Senior Contract Specialist advised National Head of Contract Management and Commercial Operations that pressure was dropping at delivery points in the Brisbane hub. APA Controllers had been adjusting flows at the Ellen Grove pressure reduction station to increase flow from the 16" line to compensate for increased flows on the RBP in the hub whilst maintaining pressure on the 10" line but, even with this action, it was considered that the pressure at a customer site downstream of Ellen Grove would fall below normal operational minimum levels.

18:30 – APA contacted AEMO (as per agreed protocol with AEMO) to advise that APA may be requesting that a CG Assessment Conference be convened for the RBP. APA advised that there was no physical problem on RBP, that contractual obligations were being met and that pressure downstream of Ellen Grove, while above contract, was likely to drop to/below normal operational minimum levels.

18:50 – APA concluded that pressure would continue to fall and that it forecast pressure would drop below the normal operational level at one delivery point downstream of Ellen Grove.

19:04 – APA contacted AEMO requesting that a CG Assessment Conference be convened.

19:17 – Monitoring by Pipeline Control indicated that load had reduced and pressure was recovering.

19:29 – APA emailed to AEMO completed APA form "Notice to AEMO for Assessment Conference".

19:31 – Pipeline Control confirmed that load on the RBP would continue to reduce.

19:33 – APA Group and APA Networks joined Assessment Conference with AEMO. APA explained the operational situation and that pressure was recovering due to a reduction of customer load.

³ For the purposes of this event, the trigger event under rule 440(1)(a) applied.

5 AEMO's assessment

5.1 Actions taken by participants, facility operators, and AEMO

On 1 May 2012 APA Group advised that they were forecasting pressure conditions below acceptable operating levels downstream of the Ellen Grove pressure reduction station at the Brisbane hub for gas day 1 May 2012.

Since a trigger event for contingency gas had occurred as defined in rule 440 (1)(a), AEMO commenced the contingency gas process. The first activity was publishing a notice under rule 441 that a trigger event had occurred and followed by convening a contingency gas assessment conference in accordance with rule 442.

AEMO notified contingency gas contact(s) of the facility operator and distributors at the Brisbane hub that a contingency gas assessment conference was to be held. Those notified were – APT Petroleum Pipelines (APA Group), APT Allgas Energy Pty Limited and Envestra Limited. Under NGR 442(2) any person who receives notification of the assessment conference must attend.

As a result of the information provided by APA Group (as the facility operator), AEMO determined no contingency gas was required. Accordingly, no industry conference was required as per rule 443. In accordance with rule 444, AEMO published a market notice advising that no contingency gas was required for gas day 1 May 2012.

AEMO market communications operated as expected: .

- MIS Report INT 666 - Market Notice Report was published advising that a contingency gas trigger event had occurred and later, advising that contingency gas was not required.
- SMS and/or emails were also sent to participants advising them of the market notice content.
- Whispir messaging service was used to advise (via email and SMS) contingency gas contact(s) of the facility operators and the distributor that a contingency gas assessment conference was to be held.

5.2 The effect of the reviewable event on the operation of the STTM

As there was no contingency gas scheduled, there are no market pricing impacts to report for the 1 May 2012.

5.3 Whether the provisions of Part 20 of the NGR were adequate to address the reviewable event.

In accordance with Division 8 of the NGR (contingency gas), the contingency gas process was initiated as a result of the occurrence of a trigger event and concluded with the assessment conference and subsequent notification that no contingency gas was required.

To the extent that the exercise of Division 8 was limited on this occasion, there is nothing to suggest that the provisions of Division 8 or Part 20 of the NGR more generally, are not adequate.

5.4 Other matters

APA group noted that it was unclear how “acceptable operating (pressure) levels” should be interpreted given there was no definition and, furthermore, it was unclear how these levels were intended to align with contingency gas benchmark information provided to AEMO under the STTM Procedures. The issue being that normal operating pressure levels could be interpreted as acceptable rather than contractual minimum delivery pressures. In this case, contingency gas would be inappropriately scheduled to maintain supply above contractual minimums.

AEMO also notes that a comparison of benchmark information provided by facility operators (linepack) and distributors (pressure) is not directly comparable, which potentially hinders informed decision making at the contingency gas assessment conference.

In this context, AEMO is investigating the existing contingency gas benchmark information requirements in the National Gas Rules and STTM Procedures to consider options that may address the issues noted above. AEMO will progress this matter through consultation with the STTM Consultative Forum.

5.5 AEMO's reasons for not scheduling price steps within a contingency gas bid or offer

As no contingency gas was scheduled in this instance, this section is not applicable.

Attachment A Summary of Contingency Gas Process

This section provides a high level summary of the contingency gas process. For further information, please refer to Part 20, Division 8 of the NGR and associated provisions in the STTM Procedures. AEMO's technical guide⁴ also provides an overview of the contingency gas process.

1. *Trigger Event*—the NGR prescribed four contingency gas trigger events (see rule 441).

STTM facility operators, STTM distributors, STTM shippers, or STTM users must notify AEMO of trigger events they become aware of as soon as practicable. If AEMO is notified of a trigger event, or AEMO considers an event has occurred, AEMO issues a notice advising the market.

The occurrence of a trigger event does not mean that contingency gas will be scheduled. Rather, it triggers an assessment process which may or may not lead to contingency gas being scheduled. If required, AEMO will call on the contingency gas bids and contingency gas offers submitted the day before the gas day, until the requirement is met or until the available contingency gas is exhausted.

2. *Assessment Conference*—if AEMO is notified of a trigger event, or AEMO considers an event has occurred, AEMO is required to convene an Assessment Conference with the relevant STTM distributor, STTM facility operators, and any other person whose attendance AEMO considers reasonably necessary.

At the assessment conference, information about the trigger event is exchanged, and an assessment is made of the operational requirements for the STTM distribution network and STTM facilities for the affected gas days. An assessment is also made as to whether contingency gas is likely be needed, and if so, what quantity of contingency gas might be required, and the location and timing for delivery of that contingency gas.

3. *Industry Conference*: If the assessment conference indicates that CG is required, AEMO can convene a wider industry conference to discuss the trigger event and possible responses to it. The outcomes of the CG assessment conference assessments will be available at this conference. Trading participants may discuss commercial response to the trigger event with AEMO. However, if AEMO considers contingency gas is urgently required, it may not have time to convene the industry conference before the time by which contingency gas needs to be called. In this case, AEMO may go straight to step 4.
4. *Contingency Gas Determination*: Following the conferences, AEMO must determine the requirement for contingency gas, if any, based on the information provided to it. This will include the location and timing of when contingency gas will be required.
5. *Confirmation of Contingency Gas bids and offers*: AEMO must carry out a confirmation process with trading participants who submitted contingency gas offers or bids to confirm the actual quantity of contingency gas they expect to be able to provide within the required time. The available quantity may be more or less than the submission. The trading participant can update the total quantity available, but the offer or bid price steps cannot be changed. Price steps will be marked as unavailable if the available quantity is reduced, or the last price step will be extended if the available quantity is increased.
6. *Scheduling Contingency Gas*: Subject to the information determined in step 5, AEMO then proceeds to schedule contingency gas. To rectify a supply shortfall, AEMO calls contingency gas offers in order of increasing cost. To rectify a supply surplus, AEMO calls contingency gas bids in order of decreasing price. Quantities called will not exceed the quantities confirmed in step 5. All contingency gas offers or bids called are recorded by AEMO for settlement purposes.

⁴ Technical Guide to the STTM version 3.3, AEMO, 14 December 2011.

The technical guide can be found on AEMO's website at: <http://aemo.com.au/STTM/sttmgen.html>

7. AEMO continues to monitor the situation and liaise with participants until the situation is rectified. This response does not preclude the need for involuntary curtailment. AEMO may also request participants to reduce their response; however, this will be voluntary because responses may already be committed. If a provider is able to reduce its response, then AEMO will issue scheduling instructions and reduce the quantity of contingency gas called for settlement purposes.