

IMPACT AND IMPLEMENTATION REPORT – SUMMARY SECTION

Reference Number	STTM IIR 14-003		
Impacted Jurisdiction (s)	NSW, QLD, SA		
Proponent	Rebecca Denton	Company	AEMO
Affected Gas Markets(s) <ul style="list-style-type: none"> ▪ Retail ▪ Wholesale ▪ Bulletin Board ▪ STTM 	Short Term Trading Market (STTM)	Consultation process (Ordinary or Expedited)	Ordinary
Industry Consultative forum(s) used	Gas Wholesale Consultative Forum	Date Industry Consultative forum(s) consultation concluded	10 June 2014
Short Description of change(s)	The proposed changes to the STTM Procedures are to: <ul style="list-style-type: none"> • Add a new Custody Transfer Point (CTP) at Hexham for the Sydney hub. • Allow a MOS offer quantity to be greater than or equal to zero. 		
Procedure(s) or Documentation impacted	STTM Procedures version 8		
Summary of the change(s)	The proposed changes are as follows. <ul style="list-style-type: none"> • Add a new CTP at the Sydney hub to reflect AGL's upstream gas infrastructure developments that will connect to the Sydney network at the Hexham receipt point. • Correct a misalignment between the minimum allowable MOS offer quantity in the STTM Procedures and the STTM Web-exchanger (SWEX) / SWEX Interface Engine (SWEXIE) applications. Currently the procedures only allow a MOS quantity offer to be greater than zero gigajoules (GJ), whereas the SWEX/SWEXIE applications also allow a MOS offer to be equal to zero. 		
I&IR Prepared By	Rebecca Denton	Approved By	Craig Price
Date I&IR published	28 July 2014	Date Consultation under 135EE or 135EF concludes	25 August 2014
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IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

<p>1. Description of change(s) and reasons for change(s)</p>	<p>New custody transfer point (CTP) at the Sydney hub</p> <p>On 15 May 2014, AGL advised AEMO of the status of its gas infrastructure developments in NSW. These developments comprise an LNG Storage at Newcastle, known as the Newcastle Gas Storage Facility (NGSFTM), a pipeline connecting the NGSF to the Sydney gas network at Hexham, a pipeline between Killingworth to Kooragang Island, and a new CTP at Hexham that will connect to the Sydney network.</p> <p>AEMO is proposing to amend section 2.2 of the current STTM Procedures to include a new CTP to reflect these gas infrastructure developments. This will allow gas withdrawn or injected at that CTP to be traded in the STTM.</p> <p>Minimum allowable MOS offer quantity of zero</p> <p>A misalignment between the STTM Procedures and the SWEX / SWEXIE applications has been identified in relation to the minimum quantity allowed in a MOS increase or decrease offer.</p> <p>The SWEX / SWEXIE applications allow MOS providers to submit a MOS offer of zero GJ, which is not in compliance with STTM Procedures section 5.4 (b)(ii) and (c)(ii) which state that for MOS increase and decrease offers, the quantity of gas offered must be a quantity greater than zero.</p> <p>AEMO proposes to amend section 5.4 to reflect the current validation of MOS offers within the SWEX / SWEXIE applications which also allow a MOS offer to be equal to zero. This allows a participant to effectively remove an unwanted MOS offer by zeroing it out.</p>
<p>2. Reference documentation</p>	<p>STTM Procedures v8.0</p> <ul style="list-style-type: none"> • 2.2 Sydney Hub • 5.4 MOS increase offers and MOS decrease offers <p>STTM Participant Build Pack STTM Participant Build Pack Business Validations Addendum</p>
<p>3. The high level details of the change(s) to the existing Procedures</p>	<p>The proposed changes to the STTM Procedures will result in changes to:</p> <p>Section 2.2: This section will be updated to include a new CTP in the Sydney Hub, which will reflect the AGL’s new gas infrastructure connecting to the Hexham receipt point.</p> <p>Section 5.4: This section will be amended in part (b)(ii) and (c)(ii) to allow a MOS provider to submit a MOS increase or decrease offer for greater than or equal to zero GJ.</p> <p>A marked up version of affected sections of the STTM Procedures is included in Attachment A.</p> <p>Note: No changes are required to the STTM Participant Build Pack and STTM Participant Build Pack Business Validations Addendum.</p>
<p>4. Explanation regarding the order of magnitude of the change</p>	<p>Market impact: Both proposed changes are non-material for the following reasons:</p> <ul style="list-style-type: none"> • Addition of a new CTP in section 2.2, while increasing security of supply to the Sydney hub, is unlikely to result in changes to market outcomes or market operation. • The proposed amendment in section 5.4 does not materially change market operation as participants currently request AEMO to remove unwanted MOS Offers for future months.

	<p>Implementation impact: Both proposed procedure changes are non-substantial as there are no changes to AEMO market systems required. The addition of a new CTP is performed by data configuration changes via existing user interfaces which have been tested and are considered low risk.</p>
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ASSESSMENT OF LIKELY EFFECT OF PROPOSAL	
<p>5. Overall Industry Cost / benefit (tangible / intangible / risk) analysis and/or cost estimates</p>	<p>New CTP at the Sydney hub</p> <p>The benefit of adding a new CTP to the Sydney hub is that it will reflect the physical arrangements at the hub on completion of the NGSF, and allow gas withdrawn or injected at that facility to be traded in the STTM. It is expected that the NGSF will increase security of supply and provide an additional competitive source of supply.</p> <p>AEMO is unaware of any material costs for the market resulting from this proposed change. However, if the change does not proceed then AGL would not be able to supply gas from the NGSF into the Sydney hub.</p> <p>Minimum allowable MOS offer quantity of zero</p> <p>Aligning the STTM Procedures with current validation in SWEX / SWEXIE applications allows participants to operate more efficiently without needing to ask AEMO to remove unwanted MOS Offers for future months.</p> <p>AEMO is unaware of any costs resulting from this proposed change.</p>
<p>6. The likely implementation effect of the change(s) on stakeholders (e.g. Industry or end-users)</p>	<p>The implementation effects of the proposal on AEMO are:</p> <ul style="list-style-type: none"> • Configuration data changes are required to create the new CTP which will allow contracts to be registered, and bids and offers submitted. • Changes to the STTM Procedures are required. <p>The implementation effects of the proposal on Trading Participants are:</p> <ul style="list-style-type: none"> • Update systems and processes to reflect the new CTP. • Update systems and processes to allow a zero quantity MOS offer.
<p>7. Testing requirements</p>	<p>No testing by AEMO is required in relation to the changes. Affected participants will need to make their own assessment of any testing requirements.</p>
<p>8. AEMO's preliminary assessment of the proposal's compliance with section 135EB:</p> <ul style="list-style-type: none"> - consistency with NGL and NGR, - regard to national gas objective - regard to any applicable access 	<p><u>Consistency with NGL and NGR</u></p> <p>AEMO's view is that the proposed changes described in this document are consistent with the National Gas Law (NGL) and the National Gas Rules (NGR).</p> <p>Specifically, the addition of the new CTP in the STTM Procedures is required for gas to be supplied to a STTM hub in accordance with 91BRC of the NGL.</p> <p><u>National Gas Objective (NGO)</u></p> <p><i>"Promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas."</i></p> <p>Addition of new CTP at Sydney Hub</p> <p>AEMO considers that the proposed procedure change is likely to contribute to the NGO because it will facilitate gas supply into the STTM from the new</p>

arrangements	<p>infrastructure connected to the Hexham receipt point. Additional and diverse supply sources can be expected to promote efficient use of natural gas services for reliable and secure supply to the Sydney network.</p> <p>While the new infrastructure enables greater access to, and diversity of, physical supply, creation of the CTP enables this supply to be effectively traded, transacted and represented via market processes, promoting greater competition and a more efficient market outcome.</p> <p>Allowable minimum MOS offer quantity of zero</p> <p>AEMO considers that the proposed procedure change is likely to contribute to the NGO because aligning the STTM Procedures with current validation in the SWEX / SWEXIE applications allows participants to operate more efficiently without needing to request AEMO to remove unwanted MOS Offers for future months. This reduces transaction costs of both AEMO and market participants, promoting greater productive efficiency, and therefore wholesale market cost savings that may benefit final consumers.</p>
<p>9. Consultation Forum Outcomes</p> <p>(e.g. the conclusions made on the change(s) whether there was unanimous approval, any dissenting views)</p>	<p>Both proposed changes were discussed at the GWCF meeting on 10 June 2014. There were no dissenting views expressed for either proposal.</p>

RECOMMENDATION(S)	
<p>10. Should the proposed Procedures be made, (with or without amendments)?</p>	<p>AEMO recommends that the proposed Procedure changes, as described in Attachment A, be made without amendments.</p>
<p>11. If applicable, a proposed effective date for the proposed change(s) to take effect and justification for that timeline.</p>	<p>AEMO proposes an effective date of 26 September 2014.</p> <p>In accordance with rule 135EE(5) of the NGR, 15 business days prior to the effective date, AEMO will publish a notice specifying the exact date on which the proposed new procedures come into effect.</p> <p>Note that AEMO will publish a notice advising the market of the commissioning date of the Hexham CTP, which is expected to occur sometime after 26 September 2014.</p>

ATTACHMENT A – DOCUMENTATION CHANGES (SEE SECTION 3)

Blue represents additions Red and strikethrough represents deletions – Marked up changes

2.2 Sydney Hub

For the purposes of rule 372(2) of the *Rules*, the following *custody transfer points* comprise the *Sydney hub*:

[...]

(f) custody transfer point 6: from the date identified in a notice published by AEMO, the connection between the respective pipelines identified in Pipeline Licence No. 42 (Hexham to the Newcastle Gas Storage Facility) and Pipeline Licence No. 8 (Killingworth to Kooragang Island) issued under the Pipelines Act 1967 of New South Wales, being the Hexham Receipt Point.

5.4 MOS increase offers and MOS decrease offers

- (b) A *MOS increase offer* must specify at least one and up to ten *price steps* where each *price step* must specify:
- (ii) the maximum quantity of *gas* (excluding that offered in other *price steps*) that the *Trading Participant* is willing to have allocated to it in respect of increased flow to the *hub* at the price specified under paragraph (i), expressed in whole GJ, and being greater than or equal to zero.

Note: Price steps for *MOS* offers do not represent a cumulative quantity of *gas*.

- (c) A *MOS decrease offer* must specify at least one and up to ten *price steps* where each *price step* must specify:
- (ii) the maximum quantity of *gas* (excluding that provided from other *price steps*) that the *Trading Participant* is willing to have allocated to it in respect of decreased flow to the *hub* at the price specified under paragraph (i), expressed in whole GJ, and being greater than or equal to zero.