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| **GAS SUPPLY HUB EXCHANGE AGREEMENT**  **IMPACT & IMPLEMENTATION REPORT – SUMMARY SECTION** |

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| **Issue Number** | GSH IIR | | | |
| Impacted  Jurisdiction (s) | Queensland  All GSH Trading Locations | | | |
| Proponent | Roy Kaplan | Company | Australian Energy Market Operator | |
| Affected Gas Markets(s)   * Retail * Wholesale * Bulletin Board * STTM | Gas Supply Hub | Consultation process (Ordinary or Expedited) | Ordinary | |
| Industry Consultative forum(s) used | GSH Reference Group | Date Industry Consultative forum(s)consultation concluded | 13 June 2017 | |
| Short Description of change(s) | Amendments to the Gas Supply Hub Exchange Agreement Fixed Fee methodology | | | |
| Procedure(s) or Documentation impacted | GSH Exchange Fees – amendments to the Fixed Fee methodology | | | |
| Summary of the change(s) | Amendment to GSH Exchange Fees for the Fixed Fee methodology for Trading and Viewing Participants, and the introduction of a Fixed Fee Rebate mechanism for Trading Participants. | | | |
| I&IR Prepared By | Angelo Mantsio | Approved By | | Peter Geers |
| Date I&IR published | 25 August 2017 | Scheduled date for end of consultation under EA 3.3, 3.4 or 3.6 | |  |
| Email address for responses | [Hub\_Reference@aemo.com.au](mailto:Hub_Reference@aemo.com.au) | | | |
| AEMO contact for enquiries | Roy Kaplan – 03 9609 8331 | | | |

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| **IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION** |

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| **CRITICAL EXAMINATION OF PROPOSAL** | |
| 1. Description of change(s) and reasons for change(s) | AEMO’s costs in establishing, operating and administrating the GSH are budgeted to be recovered from GSH fixed and variable (transaction) fees. As the GSH is a voluntary market, forecasting future revenues can be challenging, higher than forecast trading volumes, and in turn variable transaction fees should reduce fixed fee requirement for Trading Participants on a cost recovery basis. AEMO propose to reward trading participants that transact higher volumes in the GSH through a fixed fee refund, and also provide the market with an incentive to increase trading liquidity. While the fixed fee refund could reduce a trading participants market participation costs, the resulting increase in trading volumes should also assist market transparency and confidence supporting further market liquidity.  Under the proposed change in the GSH fixed fee methodology the cost of a Trading Participant user account licence will decrease from $14,500 per annum to $12,000 per annum, however the additional user licence discount will be removed. Trading Participants that transact $7,000 (exclusive of GST) in variable transaction fees in a given month will be refunded for that month, an amount equal to the total of their fixed fee costs for the month. The refund aims to reward Trading Participants for higher fee contributions, and also provide an incentive for participants to trade greater volumes in the GSH and increase liquidity.  Under the proposed fee methodology changes, the cost of a Viewing Participants user account licence will decrease from $5,500 per annum to $3,600 per annum. The reduction in Viewing Participant licence fees aims to encourage a higher uptake of licences from new participants, this should assist in promoting the GSH and increase the prospect of new Trading Participants entering the market. The fixed fee refund will only apply for Trading Participant fixed licence fees and will not apply to Viewing Participant licenses. |
| 2. Reference documentation   * Exchange Agreement * Other | GSH Exchange Fees  **Proposal:** Amendments to the Fixed Fee methodology for Trading and Viewing Participants, and inclusion of a Rebate mechanism for Trading Participant Fixed Fee’s. |
| 3. The high level details of the change(s)  including:   * A comparison of the existing operation with changed operation * A marked up version as amended (see section 1) | Current GSH Fixed Fee methodology  **Trading Participants**  One user account licence $14,500 p.a. licence fee  Additional user account licence $5,500 p.a. licence fee  **Reallocation Participant**  Fixed fee $9,000 p.a. licence fee  **Viewing Participants**  Per user account fee $5,500 p.a. licence fee  Proposed GSH Fixed Fee methodology  **Trading Participants**  Fixed fee per user account licence $12,000 p.a. licence fee  *Fixed Fee rebate – If the amount of Variable Transaction Fees in a Trading Participant’s Final Statement for a billing period is $7,000 (exclusive of GST)* *or more* *the Trading Participant will receive a refund from AEMO in the same Final Statement equal to the Trading Participants total Trading Participant Fixed fees in that Final Statement. The refund does not apply to Reallocation Participant Fixed fees or Viewing Participant fees.*  **Reallocation Participant**  Fixed fee $9,000 p.a. licence fee  **Viewing Participants**  Per user account fee $3,600 p.a. licence fee |
| 4. Assessment of significant of change  (eg: material, non-material or non-substantial) | The proposed amendment is a non-material change to current market operations with no impact on existing products. |

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| **ASSESSMENT OF LIKELY EFFECT OF PROPOSAL** | |
| 5. Overall Industry Cost / benefit (tangible / intangible / risk) analysis and/or cost estimates | AEMO anticipated no implementation costs to gas trading exchange members with this proposal.  Participants Fixed Fee costs will vary depending on the number of licences held, and meeting the fee rebate threshold, in comparison to current arrangements.  Benefits of the proposal are as follows:   * Reduction in the cost of a single licence GSH Fixed Fee for Trading and Viewing Participants, to encourage participation in the GSH. * Introduction of a monthly rebate mechanism for Trading Participant Fixed fees based on transacting $7,000 in variable transaction costs in a given month. The refund aims to reward Trading Participants for higher fee contributions, and also provide an incentive for participants to trade greater volumes in the GSH and increase liquidity. |
| 6. The likely implementation effect of the change(s) on stakeholders  (e.g. Industry or end-users) | Incorporated in section 5 above  The proposed amendment will have no impact on existing products and operations, with no anticipated functional changes to existing participant system interfaces and reports (data for monthly transactions will be published in existing reports). |
| 7. Testing requirements | Incorporated in section 5 above |
| 8. AEMO's preliminary assessment of the proposal's compliance with rule 540(1) NGR:  - consistency with NGL and NGR,  - appropriate with regard to national gas objective  - appropriate with regard to likely compliance costs for Operator or Members | Consistency with NGL and NGR  The NGR specifically provides that AEMO may charge fees relating to the establishment, operation and administration of the gas trading exchange payable by gas trading exchange members, or categories of gas trading exchange members, in accordance with the Exchange Agreement. The exchange fees should be sufficient to cover AEMO’s budgeted costs of establishing, operating and administering the gas trading exchange.  National Gas Objective  The national gas objective is to 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.  Potential compliance costs  AEMO believes the costs to gas trading exchange members in implementing this proposal are minimal. AEMO does not believe there will be any ongoing costs to gas trading exchange members to comply with this proposal.  Exchange Fees  In accordance with the National Gas Rules Part 22, 534(3), AEMO is required to consult with gas trading exchange members on the structure, introduction and determination of exchange fees. |
| 9. Consultation Forum Outcomes  (e.g. the conclusions made on the change(s) whether there was unanimous approval, any dissenting views) | AEMO distributed a Discussion Paper to the Gas Supply Hub Reference Group on the 13th June 2017.  Feedback was supportive of the proposed changers, viewing the proposal as a positive in reducing fees. One participant suggested AEMO could go further in reducing fees. |

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| **RECOMMENDATION(S)** | |
| 10. Should the proposed changes be made, (with or without amendments)? | AEMO recommends that the proposal should be implemented. |
| 11. If applicable, a proposed effective date for the proposed change(s) to take effect and justification for that timeline. | Proposed implementation date is the 1st November 2017 |

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| **ATTACHMENT A** |

**Documentation Changes**

See draft Exchange Agreement with amendments as specified above (section 2)

Blue represents additions. Red and strikeout represents deletions – Marked up changes.

# 1 Exchange Fees

The fees set out below relate to Section 5.5 (Participation Fees) of the AEMO Gas Supply Hub Exchange Agreement.

These fees are current as per the date of this document and can be amended by AEMO at any point in future.

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| Trading Participants | Fixed Fee ~~– One~~ user account licence | $~~14,500~~ 12,000 p.a. licence fee\*\* |
| ~~Fixed Fee – additional user account licences~~ | ~~$5,500 p.a. licence fee~~ |
| Variable Transaction Fee\* | $0.03/GJ daily product fee;  $0.02/GJ weekly product fee;  $0.01/GJ monthly product fee |
| Reallocation Participants | Fixed Fee | $9,000 p.a. |
| Viewing Participants | Fixed Fee | $~~5,500~~ 3,600 p.a. licence fee |

\* Explanatory note: the Variable Transaction Fee in relation to the matching of orders in a Spread Product is payable on each Moomba and Wallumbilla transaction.

\*\* Fixed Fee rebate – If the amount of Variable Transaction Fees in a Trading Participant’s Final Statement for a billing period is $7,000 (exclusive of GST) or more the Trading Participant will receive a refund from AEMO in the same Final Statement equal to the Trading Participants total Trading Participant Fixed fees in that Final Statement. The refund does not apply to Reallocation Participant Fixed fees or Viewing Participant fees.