

IMPACT & IMPLEMENTATION REPORT – SUMMARY SECTION
(For AEMO to complete and administer)

Issue Number	STTM 13-002		
Impacted Jurisdiction (s)	NSW, Qld, SA		
Proponent	Sarah McKelvie	Company	AEMO
Affected Gas Markets(s) <ul style="list-style-type: none"> ▪ Retail ▪ Wholesale ▪ Bulletin Board ▪ STTM 	STTM (wholesale)	Consultation process (Ordinary or Expedited)	Ordinary
Industry Consultative forum(s) used	STTM-CF	Date Industry Consultative forum(s)consultation concluded	20 Dec 2013
Short Description of change(s)	<p>This consultation applies to the following Procedures: STTM Procedures.</p> <p>Chapter 5 of the above Procedure is to be changed to reflect National Gas Rule (NGR) changes reducing the MOS period from three months to one month, and extending the eligibility to offer MOS to trading right holders.</p>		
Procedure(s) or Documentation impacted	<p>The following documents are impacted by the proposed changes:</p> <ul style="list-style-type: none"> • STTM Procedures 		
Summary of the change(s)	<p>The changes will reflect:</p> <ul style="list-style-type: none"> • the inclusion of the MOS period in the NGR instead of in the STTM Procedures; • the inclusion of timings associated with the MOS offer process in the STTM Procedures instead of the NGR, and changes to these timeframes to reflect automation of the MOS offer process; • references to ‘eligible contract holders’ changed to ‘STTM Shippers’ so as not to exclude trading right holders from offering MOS; • the deletion of the clause referencing the Dobby distribution meter station. 		
I&IR Prepared By	Sarah McKelvie	Approved By	Roger Shaw
Date I&IR published	17 January 2014	Date Consultation under 135EE or 135EF concludes	17 February 2014

Contact address for written responses	Sarah McKelvie Principal Market Analyst, Market Development Australian Energy Market Operator Ltd GPO Box 2008 Melbourne VIC 3001
Email Address for Responses	Sttmcf.correspondence@aemo.com.au
Other key contact information	sarah.mckelvie@aemo.com.au

IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

<p>1. Description of change(s) and reasons for change(s)</p>	<p>At present in the Short Term Trading Market (STTM), Market Operator Service (MOS) may only be offered into the market for pipeline balancing by eligible contract holders. MOS offers are made for a three month MOS period and MOS is settled on the basis of these offers for each day during that MOS period.</p> <p>AEMO, in consultation with stakeholders, conducted a review of the operation of the STTM concluding on 31 March 2012. Key recommendations were that the MOS period should be reduced, and that eligibility for MOS be extended to trading right holders. These recommendations aim to improve liquidity and flexibility in the provision of MOS.</p> <p>A rule change proposal was lodged with the AEMC to enable these changes. The AEMC published its final determination and (more preferable) rule on 23 May 2013. The rule change (Market operator service – timing and eligibility) will commence on 1 April 2014.</p> <p>This procedure change proposal supports the rule change.</p> <p>This Proposed procedure change also contains minor amendments to the Procedures to reflect the decommissioning of the Dobby distribution meter station at the Brisbane hub on 7 August 2013.</p>
<p>2. Reference documentation</p>	<ul style="list-style-type: none"> • STTM Procedures version 7.2, Chapter 5 – Market Operator Service STTM Procedures v7.2 • Rule Determination by the AEMC - National Gas Amendment (Market Operator Service – timing and eligibility) Rule 2012 No. 2. Market operator service timing and eligibility rule
<p>3. The high level details of the change(s) to the existing Procedures</p> <p>This includes:</p> <ul style="list-style-type: none"> ▪ A comparison of the existing operation of the Procedures to the proposed change to the operation of the Procedures ▪ A marked up version of the Procedure change (see Attachment A) 	<p>AEMO proposes the following changes to the STTM Procedures:</p> <ul style="list-style-type: none"> • the removal of the MOS period from the STTM Procedures (now in the National Gas Rules (NGR), rule 396); • the inclusion of the timing of when MOS estimates and updates to those estimates must be published by (previously in rule 397); • the inclusion of the timing for when AEMO must publish a request for MOS offers (previously rule 398(1)), and the reduction of this timing from 40 business days to 20 business days prior to the MOS period; • the inclusion of the time by when MOS offers must be submitted by (previously rule 398(2)), and a reduction of that time from 15 business days before a MOS period to

	<p>11 gas days before a MOS period;</p> <ul style="list-style-type: none"> the requirement for each step in a MOS offer to include a reference to a trading right, and a change to referencing an STTM Shipper instead of an eligible contract holder for the party submitting the MOS offer; the inclusion of the timing for the publication of MOS stacks (previously rule 401(2)), and a reduction of that time from 10 business days to 10 gas days before the start of the MOS period. <p>Decommissioning of the Dobby distribution meter station:</p> <ul style="list-style-type: none"> the deletion of the clause referencing the Dobby distribution meter station. <p>A marked up version of the Procedure change is shown in Attachment A.</p>
<p>4. Explanation regarding the order of magnitude of the change</p> <p>(eg: material, non-material or non-substantial)</p>	<p>This change requires material change to STTM systems, and changes to trading participants' business processes, and potentially IT systems. No change is envisaged for pipeline operator systems.</p> <p>STTM market systems:</p> <ul style="list-style-type: none"> SWEX – new functionality to allow trading rights to be MOS enabled, and a reference selected for the pipeline operator. SWEX and SWEXIE – new functionality to allow MOS offers to be made via the STTM systems, including relevant validations (trading right validity, offer timing, offer content). STTM systems – new functionality to enable automatic construction of MOS stacks, changes to ensure appropriate parties are paid or charged for the MOS service and commodity. MIS – confirmation report for MOS offers, changes to public MOS stack report to show trading right holder instead of contract holder, changes to pipeline operator MOS stack reports to show the contract holder of a MOS offer not the trading right holder, changes in contract holder reports to show MOS enabled trading rights and the pipeline operator reference used, changes in trading right holder reports to show MOS enabled trading rights.

ASSESSMENT OF LIKELY EFFECT OF PROPOSAL

<p>5. Overall Industry Cost / benefit (tangible / intangible / risk) analysis and/or cost estimates</p>	<p><u>Costs:</u></p> <p>AEMO’s costs for implementing these changes are:</p> <p>CAPEX: \$323,000</p> <p>OPEX: \$83,000</p> <p>Total: \$406,000</p> <p><u>Benefits:</u></p> <p>The expected benefits of this change are:</p> <ul style="list-style-type: none"> • \$200k per annum of additional value generated in the STTM through increased competitiveness between participants offering MOS • 6 days labour saving per MOS stack, 12 per annum resulting in a minimum saving of \$42.6k per annum. <p>The additional value generated in the STTM comes through the following benefits:</p> <p><i>Improve the efficiency of MOS pricing</i></p> <p>Reducing the lead times for offer submission prior to a MOS period and reducing the MOS period is expected to allow trading participants to respond to market, operational and seasonal conditions closer to the MOS period leading to more efficient prices for MOS offers.</p> <p><i>Increase competition in the provision of MOS</i></p> <p>Amending the MOS framework to allow trading right holders to make MOS offers, will increase the potential number of MOS suppliers and should thereby increase the competition for the supply of MOS. This is expected to lead to more efficient pricing of MOS offers and more efficient use of pipeline services.</p> <p><i>Increase the efficiency of pipeline investment</i></p> <p>Allowing MOS services to be subcontracted provides the buyer of storage services with the ability to transfer the right to supply MOS under a commercial arrangement to a third party. This reduces the risk associated with a long term commitment for storage services on a pipeline, supporting the efficient investment in pipeline capacity and services.</p> <p>Overall, this change will improve competition in the provision of MOS and lead to more efficient pricing of MOS. This increases the efficiency of the use of natural gas services.</p> <p><u>AEMO’s Assessment</u></p> <p>AEMO considers that with a <2 year payback, the benefits outweigh the costs for this project.</p>
<p>6. The likely implementation effect of the change(s) on stakeholders</p>	<p>The implementation effects of the proposal on AEMO are listed below.</p> <ol style="list-style-type: none"> 1. Develop and submit rule change request to the AEMC (this process has been completed).

<p>(e.g. Industry or end-users)</p>	<ol style="list-style-type: none"> 2. Implement market system changes including: <ul style="list-style-type: none"> • Automation of the MOS offer process; • Changes to support the sub-allocation of trading rights to third parties for the provision of MOS. 3. Plan and conduct industry training of the proposed changes. 4. Update and publish SWEX User guide, and the Technical guide to the STTM. 5. Update AEMO business processes to reflect the proposed changes. <p>The implementation effects of the proposal on Trading Participants are listed below.</p> <ol style="list-style-type: none"> 1. Update existing business processes for a monthly MOS period and for submission of MOS offers via SWEX / SWEXIE (STTM web exchanger – the market interface). 2. Develop business processes for subcontracting MOS contracts to third parties and setting up associated trading rights.
<p>7. Testing requirements</p>	<p>The testing requirements will cover:</p> <ul style="list-style-type: none"> • AEMO System Integrity Tests (SIT) and User Acceptance Tests (UAT) of the market system changes (MOS enabled trading rights, MOS offer process through SWEX and SWEXIE, settlement of MOS payments for the trading right holder, MIS reports). • An industry PreProduction testing program and facilities will be made available to participants as part of the Gas Systems – Release 34. Any industry testing requirements would be determined by the relevant business to validate their systems and processes against any changes implemented.
<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 arrangements 	<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><u>National Gas Objective</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>AEMO considers that the proposed changes contribute to the NGO by improving the efficiency of MOS pricing, increasing competition in the provision of MOS and increasing the efficiency of pipeline investment as follows:</p> <p><i>Improve the efficiency of MOS pricing:</i></p> <p>Reducing the lead times for offer submission prior to a MOS</p>

	<p>period and reducing the MOS period is expected to allow trading participants to respond to market, operational and seasonal conditions closer to the MOS period leading to more efficient prices for MOS offers.</p> <p><i>Increase competition in the provision of MOS:</i></p> <p>Amending the MOS framework to allow trading right holders to make MOS offers, will increase the potential number of MOS suppliers and should thereby increase the competition for the supply of MOS. This is expected to lead to more efficient pricing of MOS offers and more efficient use of pipeline services.</p> <p><i>Increase the efficiency of pipeline investment:</i></p> <p>Allowing MOS services to be subcontracted provides the buyer of storage services with the ability to transfer the right to supply MOS under a commercial arrangement to a third party. This reduces the risk associated with a long term commitment for storage services on a pipeline, supporting the efficient investment in pipeline capacity and services.</p> <p>Overall, this rule change will improve competition in the provision of MOS and lead to more efficient pricing of MOS. This increases the efficiency of the use of natural gas services.</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>The STTM Consultative Forum (STTM-CF) is a standing forum for providing effective and efficient consultation with stakeholders on development of the Short Term Trading Market. The STTM-CF is an open forum and all interested parties may attend the STTM-CF and participate in the meetings.</p> <p>The initial proposal was discussed in the operational review of the STTM, and further details were subsequently discussed at the STTM-CF meetings since.</p> <p>AEMO's Final Report on STTM Operational Review and Demand Hub Review can be found at:</p> <p>Final Report - Review of the STTM Operations and Demand hubs</p> <p>Further details to support implementation were discussed with the STTM-CF. Meeting records can be found at:</p> <p>http://www.aemo.com.au/Gas/Resources/Working-Groups/Short-Term-Trading-Market-Consultative-Forum-STTM-CF</p> <p>December 2012</p> <ul style="list-style-type: none"> • STTM 12-10-09 MOS Timing and Eligibility <p>January 2013</p> <ul style="list-style-type: none"> • Worked example of MOS provision by TRN holder <p>September 2013</p> <ul style="list-style-type: none"> • STTM 13-10-04 MOS Timing and Eligibility Procedures • STTM 13-10-03 MOS Provision by Trading Right Holder – Proposed for of MOS offers version 2

	<p>November 2013</p> <ul style="list-style-type: none">• STTM 13-10-05 MOS offer process timing changes• STTM 13-10-06 MOS Transition Plan <p>On 21 November 2013, AEMO released the Proposed Procedure Change (PPC) for stakeholder comment.</p> <p>AEMO received one submission from the consultation on the PPC supporting this change and considers this outcome as endorsement to the proposed change.</p>
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RECOMMENDATION(S)	
10. Should the proposed Procedures be made, (with or without amendments)?	Taking into account the consultation that has occurred, AEMO recommends the proposed Procedures change should be made as described in Attachment A.
11. If applicable, a proposed effective date for the proposed change(s) to take effect and justification for that timeline.	<p>AEMO intends to use the ordinary consultative procedure as set out in the National Gas Rules / Part 3 / Division 2 as the changes proposed are material.</p> <p>As per the ordinary consultative procedure, interested parties have 20 business days from the date of this notice to provide written submissions on this decision. Submissions are due by the close of business on Monday, February 17th, 2014.</p> <p>AEMO proposes an effective date of 1 April 2014 to align with the effective date of the National Gas Amendment – MOS timing and eligibility.</p> <p>The first effected MOS period will be June 2014.</p>

ATTACHMENT A – DOCUMENTATION CHANGES (SEE SECTION 3)

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

Minor amendments:

CHAPTER 2 – HUBS

2.3 Brisbane Hub

- (i) ~~[Deleted] custody transfer point 9: the outlet of the STTM pipeline identified on the Natural Gas Services Bulletin Board as the Roma – Brisbane Pipeline with the PlantID of 540057 at the connection point to the Dobby distribution meter station;~~

MOS amendments:

CHAPTER 4 – REGISTRATION OF SERVICES AND TRADING RIGHTS

4.2 Additional trading rights

~~No other details are specified for the purposes of rule 385(2)(f).~~

- (a) For the purposes of rule 385(2)(f), the contract holder must specify whether an additional trading right includes the right to make an associated MOS increase offer or MOS decrease offer.

CHAPTER 5 - MARKET OPERATOR SERVICE

5.1 ~~[Deleted] MOS Periods~~

- ~~(a) For the purposes of rule 396 a MOS period determined by AEMO must comply with the following requirements:
 - ~~(i) a MOS period must be a period of at least 3 months;~~
 - ~~(ii) a MOS period must commence at the beginning of the first gas day of a month; and~~
 - ~~(iii) a MOS period must end at the end of the last gas day commencing in a month.~~~~
- ~~(b) No later than 3 months prior to the commencement of a calendar year, AEMO must publish the MOS periods commencing in that calendar year.~~

5.2 MOS Estimates

- (aa) For the purposes of rule 397(1), AEMO must *publish* its *MOS* estimates for each *MOS period* no later than 40 business days before the start of that *MOS period*.
- (ab) For the purposes of rule 397(2), AEMO may *publish* updated *MOS* estimates at any time up to 20 business days before the start of the *MOS period*.
- (a) For the purposes of *rule* 397(3), AEMO must determine a *MOS* estimate, or updated *MOS* estimate, in accordance with this clause 0.
- (b) AEMO must determine the *MOS* estimate for each *STTM pipeline* based on the range and frequency of *pipeline deviations* which reflect increased flows to the *hub* and *pipeline deviations* which reflect decreased flows to the *hub* on that *STTM pipeline*, to be determined by AEMO using:

[...]

5.3 Request for MOS increase offers and MOS decrease offers

- (a) For the purposes of rule 398(1), AEMO must publish a notice requesting *MOS increase offers* and *MOS decrease offers* from *STTM Shippers* for each *STTM pipeline*, no later than 20 business days before the start of a *MOS period*.
- (b) For the purposes of rule 398(2)(b), final *MOS increase offers* and *MOS decrease offers* must be submitted to AEMO by 5:00pm on the 11th *gas day* before the start of a *MOS period*.
- (c) For the purposes of rule 398(2)(d), no other matter is specified.

5.4 MOS increase offers and MOS decrease offers

- (a) For the purposes of *rule* 400(4), a *MOS increase offer* or *MOS decrease offer* must comply with the requirements of this clause 5.4.
- (b) A *MOS increase offer* must specify at least one and up to ten *price steps* where each *price step* must specify:

 - (i) a single price, expressed in \$/GJ to four decimal places, greater than or equal to zero and less than or equal to the *MOS cost cap*; and
 - (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 zero.

(iii) a reference for the *trading right* to which the offer relates, in accordance with the *STTM interface protocol*.

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:
- (i) a single price, expressed in \$/GJ to four decimal places, greater than or equal to zero and less than or equal to the *MOS cost cap*; and
 - (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 0, expressed in whole GJ, and being greater than zero.

(iii) a reference for the *trading right* to which the offer relates, in accordance with the *STTM interface protocol*.

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

- (d) No two *price steps* in the same *MOS increase offer* or *MOS decrease offer* may have the same price.
- (e) An ~~eligible contract holder~~ *STTM Shipper* must not submit more than one *MOS increase offer* or more than one *MOS decrease offer* in respect of each *STTM pipeline* for a *MOS period* (but may revise a *MOS increase offer* or *MOS decrease offer* in accordance with rule 400(2)).

5.5 MOS Stacks

5.5.3 Publishing MOS stacks

~~For the purposes of rule 401(2)(c), no requirements are specified.~~

(a) For the purposes of rule 401(2), AEMO must:

- (i) publish the *MOS increase stack* and a *MOS decrease stack* in accordance with rule 401(2)(a); and
- (ii) make available to each relevant *STTM pipeline operator* the information set out in rule 401(2)(b).

No later than 10 *gas days* before the start of the relevant *MOS period*.

10.1.3 Mathematical terms

Term	Definition
$MAQ^S(p,d,cf(k))$	The quantity of <i>MOS gas</i> (excluding <i>overrun MOS</i>) allocated to flow from the <i>hub</i> on <i>registered trading right</i> $cf(k)$ on <i>market facility</i> $k \in SP$ (an <i>STTM facility</i>) on <i>gas day</i> d by <i>Trading Participant</i> p . This value may be positive or negative. A positive value indicates increased net flow to the <i>hub</i> implying a decreased flow from the <i>hub</i> on the <i>registered trading right</i> . This value is determined for a registered facility service in accordance with rule 421 and is associated with the registered trading right of the contract holder for that registered facility service.
$MAQ^S(p,d,ct(k))$	The quantity of <i>MOS gas</i> (excluding <i>overrun MOS</i>) allocated to flow to the <i>hub</i> on <i>registered trading right</i> $ct(k)$ on <i>market facility</i> $k \in SP$ (an <i>STTM facility</i>) on <i>gas day</i> d by <i>Trading Participant</i> p . This value may be positive or negative. A positive value indicates increased net flow to the <i>hub</i> implying an increased flow to the <i>hub</i> on the <i>registered trading right</i> . This value is determined for a registered facility service in accordance with rule 421 and is associated with the registered trading right of the contract holder for that registered facility service.