

GUIDE TO GAS PREPAYMENT ARRANGEMENTS

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Important Notice

AEMO has prepared this Guide to Gas Prepayment Arrangements (Guide) to provide guidance on the use of prepayments in the Declared Wholesale Gas Market and the Short Term Trading Market under the National Gas Rules (Rules), as at the date of publication.

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Notes

Further Information

For further information, please visit AEMO's website www.aemo.com.au or contact:

AEMO Information and Support Hub

Phone: 1300 AEMO 00 (1300 236 600) and follow the prompts.
E-mail: supporthub@aemo.com.au

Contents

1 Introduction	1
1.1 Purpose	1
1.2 Audience.....	1
1.3 How to use this guide	1
1.4 What's in this guide	1
2 New Prepayments	2
2.1 Prepayment provision.....	2
2.2 Prepayment notification email	2
2.3 Prepayment settlement method	2
2.4 Prepayment for margin calls.....	2
3 Existing Prepayments	3
3.1 Prepayment management	3
3.2 Prepayment instruction email	4
3.3 Prepayment renewal.....	4
3.4 Prepayment return.....	4
3.5 Prepayment interest rate	4
3.6 Prepayment for deregistration	5
4 References.....	6
4.1 AEMO's website	6

Figures

Figure 1 Existing Prepayment Management Timeline	3
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Abbreviations and Symbols

These abbreviations, symbols, and special terms assist the reader's understanding of the terms used in this document. For definitions of these terms, the reader should always refer to the applicable market Rules.

Abbreviation	Abbreviation explanation
AEMO	Australian Energy Market Operator
AEST	Australian Eastern Standard Time
DWGM	Declared Wholesale Gas Market
Guide	Guide to Gas Prepayment Arrangements
NGR	National Gas Rules; also often just called the Rules
STTM	Short Term Trading Market

Special terms

Term	Definition
Market time	Australian Eastern Standard Time
Rules	National Gas Rules

1 Introduction

1.1 Purpose

The Guide to Gas Prepayment Arrangements (Guide) explains arrangements between AEMO and participants in the Declared Wholesale Gas Market (DWGM) and the Short Term Trading Market (STTM) in respect to prepayments and how they are managed. Prepayment is an important component of the prudential exposure management in the gas markets operated by AEMO. This Guide details the obligations and processes of managing prepayments, and is provided to participants for the following purposes:

- Provide process for arranging new prepayments and managing existing prepayments.
- Identify in what circumstances a participant should or must provide new prepayments.
- Provide additional information and references.

1.2 Audience

This Guide is relevant to the participants in the DWGM and the STTM who wish to provide prepayments as part of their prudential management strategy.

1.3 How to use this guide

This Guide is prepared by AEMO's Clearing and Prudentials team and describes the obligations and processes relating to management of prepayments.

[Text in this format](#) indicates a direct hyperlink with details of the resource listed in "References" section on page 6.

1.4 What's in this guide

- Chapter 2 provides information about new prepayments.
- Chapter 3 provides information about existing prepayments.
- Chapter 4 is a list of related information and documents mentioned throughout this guide, see "References" on page 6.

2 New Prepayments

2.1 Prepayment provision

On any day, participants can:

- Provide a new prepayment to reduce their prudential exposure against their trading limit or to comply with a margin call notice from AEMO.
- Lodge new prepayments to be applied against their settlement invoices by a specific deadline, prior to the payment day, to decrease their risk of being non-compliant on the payment day.

2.2 Prepayment notification email

To provide a new prepayment to AEMO, participants must send a prepayment notification email to clearing@aemo.com.au with all relevant details completed. A prepayment notification email template is published on AEMO's website: <http://www.aemo.com.au/Gas/Metering-and-Settlements/Prudentials/Prepayment-Arrangements>.

Participants can only send one prepayment transaction detail per email. To provide multiple prepayments, a separate prepayment notification email is sent for each prepayment transaction.

2.3 Prepayment settlement method

All gas prepayments must settle through Austraclear. New prepayments should settle by close of business on the indicated settlement date on the prepayment notification email submitted by the participant.

2.4 Prepayment for margin calls

If a new prepayment is to settle in response to a margin call, this prepayment must settle by a specific time to comply with the NGR. For example:

- If a margin call was issued prior to 10:00 AM on a business day, the margin call response prepayment must be settled before 2:00 PM on the same business day.
- If a margin call was issued after 10:00 AM on a business day, then the prepayment must be settled before 10:00 AM on the first business day to occur after the margin call is made.

3 Existing Prepayments

3.1 Prepayment management

Just before the AEMO Settlements team issues the final settlement statements for a billing period, any prepayments that are held by AEMO are managed and finalised by applying the prepayments to a participant's settlement amounts payable on the next payment day, with the option of renewing to the next billing period.

The AEMO Clearing and Prudentials team sends out a prepayment instruction email to all participants with existing prepayments. All participants are required to respond and submit the prepayment instruction email to prudentials@aemo.com.au by 12:00 PM AEST one business day before the final settlement publication date as published in the AEMO settlements calendar:

<http://aemo.com.au/About-the-Industry/Resources/Settlement-Calendars>.

Any prepayments received after the deadline for submission of the prepayment instruction email and before the payment day cannot be applied on that payment day. AEMO considers these prepayments to be made in respect of the subsequent billing period.

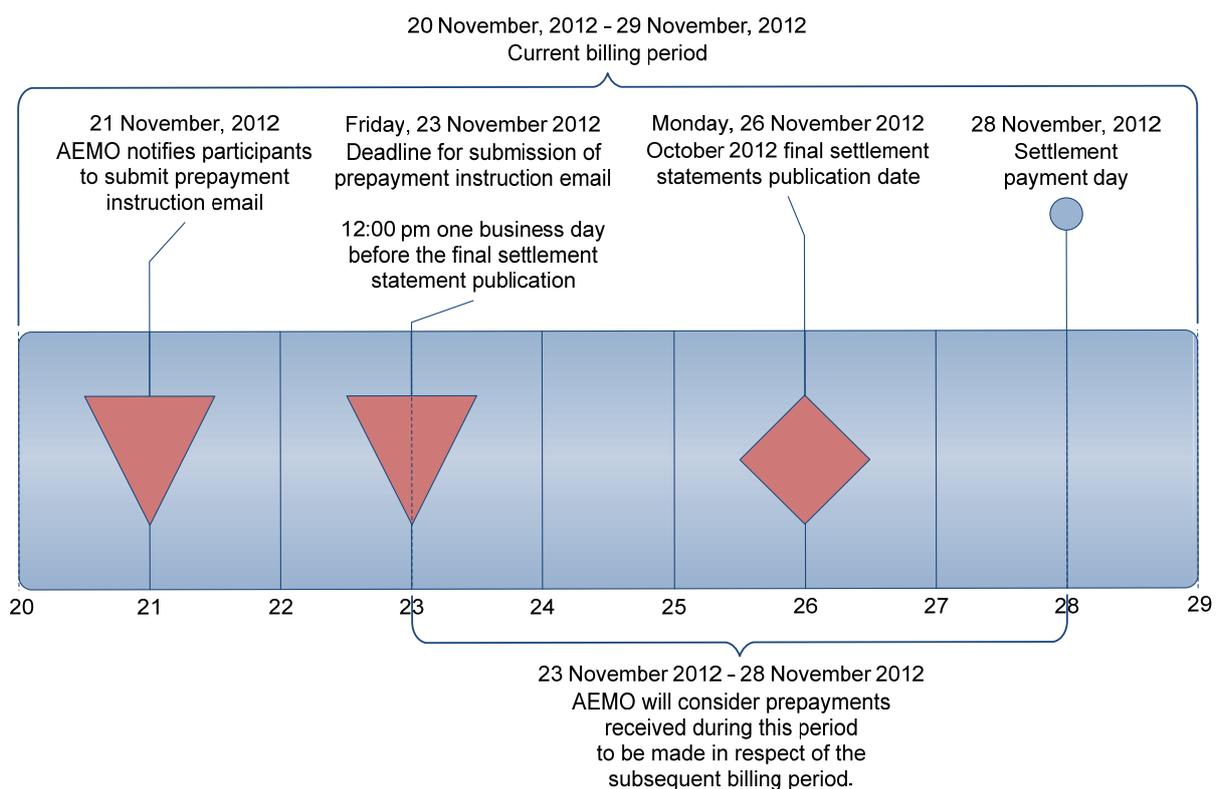


Figure 1 Existing Prepayment Management Timeline

3.2 Prepayment instruction email

The prepayment instruction email from participants to AEMO advises whether the prepayments are applied or renewed. Participants can also choose to apply a portion of the amount and renew the remainder to the next billing period.

If a participant does not respond to the prepayment instruction email on time or fails to send a prepayment instruction email to AEMO, AEMO by default applies the existing prepayments to the latest invoices being paid on the nearest payment day. If, however, the default application of prepayment will cause a prudential issue, AEMO will renew the prepayment for the next billing period.

The prepayment instruction email template is published on the AEMO website:

<http://www.aemo.com.au/Gas/Metering-and-Settlements/Prudentials/Prepayment-Arrangements>.

3.3 Prepayment renewal

Participants may decide to renew prepayments for two main reasons:

- The reduction of the prepayment amount may cause a trading limit breach as a participant's prudential exposure amounts are higher than their trading limit.
- A participant prefers to have a market exposure buffer to provide protection against high demand or high price events.

For prepayment renewals AEMO applies the existing prepayment in reduction of the total payment amount due on the upcoming payment day. An amount equivalent to the amount of prepayment applied is held out of the payment made by the participant through Austraclear for the billing period as a prepayment for the next billing period.

3.4 Prepayment return

A prepayment is not a form of security deposit, and is not ordinarily refunded by AEMO except on settlement payment day. Limited exception applies, such as when a participant submits a deregistration intent to AEMO.

3.5 Prepayment interest rate

Interest is not payable on prepayments.

3.6 Prepayment for deregistration

A participant may be required to provide prepayments to AEMO as part of a deregistration process when, for the deregistration commencement billing period, a participant's bank guarantee is expiring before the last revision settlement statement is published.

Prepayments provided for deregistration purposes must be renewed each billing period until a participant's last revision settlement statement is published and any outstandings are paid.

4 References

The resources listed in this section contain additional related information that may assist you.

- AEMO Information and Support Hub: phone: 1300 AEMO 00 (1300 236 600), and follow the prompts; e-mail: supporthub@aemo.com.au.
- National Gas Rules (NGR) and National Electricity Rules (NER): see the Australian Energy Market Commission (AEMC) website <http://www.aemc.gov.au>.

4.1 AEMO's website

You can find the following resources on AEMO's website:

- "Prepayment Arrangements", prepayment notification email and prepayment instruction email templates: <http://www.aemo.com.au/Gas/Metering-and-Settlements/Prudentials/Prepayment-Arrangements> (Home > Gas > Metering & Settlements > Prudentials > Prepayment Arrangements). Viewed 5 April 2013.
- "Settlement Calendars", settlement calendar for each of the markets being settled, <http://aemo.com.au/About-the-Industry/Resources/Settlement-Calendars>. (Home > About the Industry > Resources > Settlement Calendars). Viewed 7 March 2013.
- "STTM Procedures", <http://aemo.com.au/Gas/Policies-and-Procedures/Short-Term-Trading-Markets/Rules-Procedures-and-Interface-Protocol> (Home > Gas > Policies & Procedures > Short Term Trading Market > STTM Rules, Procedures and STTM Interface Protocol > STTM Procedures). Viewed 7 March 2013.

It is important to ensure that you are reading the current version of any document.
