

PROPOSED PROCEDURE CHANGE (PPC) – SUMMARY SECTION
(For Proponent or AEMO to complete. Template focuses on solution identification.)

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| Issue Number | STTM PPC 13-001 | | |
| Impacted Jurisdiction(s) | New South Wales, South Australia, Queensland | | |
| Proponent | Mark Riley | Company | AEMO |
| Proponent e-mail | STTMCF.correspondence@aemo.com.au | Proponent phone | (03) 9609 8459 |
| Affected Gas Market(s) | Wholesale Short Term Trading Market (STTM) | Date proposal sent to AEMO | 16 Jan 2013 |
| <ul style="list-style-type: none"> ▪ Retail ▪ Wholesale ▪ Bulletin Board | | | |
| Short Title | User-to-user MSV transaction | | |
| Other key contact information | | | |
| Submissions Due | Submissions on this PPC are due by Tuesday 12 March 2013 | | |

PROPOSED PROCEDURE CHANGE (PPC) – DETAILED REPORT SECTION

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| <p>1. Description of change(s) and reasons for change(s)</p> | <p>Currently, only an STTM Shipper can initiate a Market Schedule Variation (MSV) transaction with another STTM Shipper or STTM User.</p> <p>STTM Users undertaking an MSV with other STTM Users require an STTM Shipper to manage two transactions between themselves and the other STTM User. That is, the STTM Shipper has to undertake an MSV transaction with STTM User 1 and then initiate a reversing transaction with STTM User 2.</p> <p>The STTM Market Operation Review recommended changes to allow a direct MSV transaction between STTM Users. A rule change proposal was submitted to the Australian Energy Market Commission (AEMC), and the rule change was approved on 30 August 2012.</p> <p>This PPC proposes to amend Market Schedule Variation and Variation Charges sections on STTM Procedures to align with the new rule.</p> |
| <p>2. Reference documentation</p> <ul style="list-style-type: none"> ▪ Procedure Reference ▪ GIP/Specification Pack Reference ▪ Other Reference | <ul style="list-style-type: none"> • STTM Procedures version 7.1 • AEMO's Final Report on STTM Operational Review and Demand Hub Review • Rule Determination by the AEMC - National Gas Amendment (STTM Market Schedule Variation Transactions) Rule 2012 No. 1. |
| <p>3. The high level details of the change 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:</p> <ul style="list-style-type: none"> • Modify section 7.3 (Market Schedule Variations) and section 10.5 (Variation Charges) of the Procedures to ensure that the originating Participant covers both STTM Shipper and STTM User. • Add a clause in section 7.3 (Market Schedule Variations) of the Procedures to ensure the STTM User that increases its modified market schedule quantity must be the originating Participant, where the proposed MSV transaction relates to STTM Users as the originating and receiving Participant. • Add a clause in section 7.3 (Market Schedule Variations) of the Procedures to ensure that the STTM Shipper is the originating Participant, where the proposed MSV transaction relates to an STTM Shipper and an STTM User. • Add a rule in section 7.5 (Variation Charges) to ensure that the user-to-user MSV transaction is not subjected to Variation Charges. <p>Refer to Attachment A for marked up Procedures.</p> |

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| <p>4. Consequences for making or not making the change(s)</p> | <p>On 30 August 2012, the AEMC published a final rule determination to enable STTM Users in the STTM to submit an MSV transaction to AEMO.</p> <p>Therefore, the consequence for not making the change would be that the Procedures do not reflect the NGR requirements.</p> |
| <p>5. Explanation regarding the order of magnitude of the change(s) (eg: material, non-material or non-substantial)</p> | <p>AEMO considers the proposed change to be non-material in nature for the following reasons:</p> <ul style="list-style-type: none"> • This proposed change does not materially affect market operation, as currently user-to-user MSV transaction can be done with STTM Shipper (acting as an intermediary) submitting two transactions with each STTM User. • AEMO has undertaken extensive consultation during the STTM Operational Review and Demand Hubs Review between August 2011 and March 2012; and industry supported AEMO's recommendation to submit a rule change request to enable user-to-user MSV transactions. • The AEMC has also undertaken public consultation on AEMO's rule change request and there was support for the NGR changes via the AEMC's consultation process. |
| <p>6. Likely benefits for industry as a whole</p> | <p>As noted in AEMO's rule change request, the benefit for STTM Participants is to remove an unnecessary transaction during the provision of the user-to-user MSV transaction.</p> <p>At present, there is an average of over 30 user-to-user MSV transactions occurring each month in Sydney and Adelaide hubs, and each requiring two transactions. By removing the unnecessary transaction, the additional transactional management and transaction reconciliation that STTM Shippers presently undertake will be eliminated, leading to a more efficient operation.</p> |
| <p>7. The likely implementation effect of the proposal on Industry in general and/or any identified parties (e.g. end-users)</p> | <p>The benefits from the proposed changes are outlined in sections 4 and 6 of this PPC.</p> <p>The implementation effect of the change is minimal. The PPC would require AEMO to change the STTM Procedures and Market Guidelines, which are considered non-material in this instance.</p> <p>The rule and procedure changes would also require changes to AEMO's market systems to enable the registration of user-to-user MSV transaction. However, no system changes are required for trading participants, STTM facility operators or network operators.</p> |

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| 8. Testing requirements | This procedure change will require changes to AEMO's market systems. Therefore system testing, user acceptance testing, and industry testing will be required. |
| 9. Supporting Documentation (attach if necessary) | See section 2. |
| 10. If applicable, a proposed effective date for the proposed changed Procedures to take effect and justification for that timeline. | The implementation date for the required market system changes will occur on the week starting 15 April 2013. 15 business days prior to the effective date, AEMO will publish a notice specifying the effective date of the new procedures. |

ATTACHMENT A – DOCUMENTATION CHANGES (SEE SECTION 3)

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

7.3 Market schedule variations

- (aa) For the purposes of rule 423(1), a *market schedule variation* is to be submitted:
- (i) after 6½ hours after the beginning of the immediately preceding *gas day*; and
 - (ii) before 5:00pm on the 7th *gas day* after the *gas day* to which that *market schedule variation* relates.
- (a) For the purposes of rule 423(2)(a), information required about the nature and quantity of the proposed *market schedule variation* is:
- (i) the *gas day* to which the proposed *market schedule variation* relates;
 - (ii) the quantity of the proposed *market schedule variation*, which must be a positive value expressed in GJ; and
 - (iii) whether the quantity of the proposed *market schedule variation* is to increase or decrease the *modified market schedule quantity* of the *originating Participant* ~~STTM Shipper~~.
- (b) For the purposes of rule 423(2)(b), the information required about the *originating Participant* ~~STTM Shipper~~ is:
- (i) the *identifier* of the *originating Participant* ~~STTM Shipper~~;
 - (ii) whether the proposed *market schedule variation* relates to the originating Participant as an gas:
 - ~~(A) — supplied to the hub; or~~
 - ~~(B) — withdrawn from the hub,~~
 - (A) STTM Shipper supplying gas to the hub; or
 - (B) STTM Shipper withdrawing gas from the hub; or
 - (C) STTM User; and~~by the originating STTM Shipper; and~~
 - (iii) where the proposed market schedule variation relates to gas:
 - (A) supplied to the hub by the originating Participant as an STTM Shipper, and
 - (B) withdrawn from the hub by the receiving Participant as an STTM Shipper,the STTM facility in respect of which the modified market schedule quantity of the originating Participant is to increase or decrease by the quantity in the proposed market schedule variation.

~~the STTM facility in respect of which the modified market schedule quantity of the originating STTM Shipper is to increase or decrease by the quantity in the proposed market schedule variation.~~

- (c) For the purposes of rule 423(2)(c), the information required about the receiving Participant is:
- (i) the identifier of the receiving Participant;
 - (ii) whether the proposed market schedule variation relates to the receiving Participant as an:
 - (A) STTM Shipper supplying gas to the hub; or
 - (B) STTM Shipper withdrawing gas from the hub; or
 - (C) STTM User; and
 - (iii) where the proposed market schedule variation relates to gas:
 - (A) supplied to the hub by the originating STTM Shipper;and
 - (B) withdrawn from the hub by the receiving Participant as an STTM Shipper,the STTM facility in respect of which the modified market schedule quantity of the receiving Participant is to increase or decrease by the quantity in the proposed market schedule variation.
- (d) Except in the circumstances described in clause 7.3(c)(iii), AEMO must assume that:
- (i) if the proposed market schedule variation relates to the originating Participant or the receiving Participant as an STTM User, the STTM distribution system in respect of which the modified market schedule quantity of the originating Participant or the receiving Participant is to increase or decrease under the proposed market schedule variation is the STTM distribution system at the hub to which the STTM facility specified under clause 7.3(b)(iii) is connected; or
 - (ii) if:
 - (A) the proposed market schedule variation relates to the receiving Participant as an STTM Shipper supplying gas to the hub; or
 - (B) the proposed market schedule variation relates to both the originating Participant ~~STTM Shipper~~ and the receiving Participant as STTM Shippers withdrawing gas from the hub,the STTM facility in respect of which the modified market schedule quantity of the receiving Participant is to increase or decrease under the proposed market schedule variation is the STTM facility specified under clause 7.3(b)(iii).
- (e) For the purposes of rule 423(3), when

- (i) both the *originating Participant* ~~STTM Shipper~~ and the *receiving Participant* are *STTM Shippers* and the proposed *market schedule variation* relates to:
 - ~~(i)~~ (A) one *STTM Shipper* supplying gas to the *hub* and the other *STTM Shipper* withdrawing gas from the *hub*, the *STTM Shipper* that is supplying gas to the *hub* must be the *originating STTM Shipper*, or
 - ~~(ii)~~ (B) both *STTM Shippers* supplying gas to the *hub*, the *STTM Shipper* that is to increase its *modified market schedule quantity* for flow to the *hub* must be the *originating STTM Shipper*, and
 - ~~(iii)~~ (C) both *STTM Shippers* withdrawing gas from the *hub*, the *STTM Shipper* that is to increase its *modified market schedule quantity* for flow from the *hub* must be the *originating STTM Shipper*.
- (ii) both the *originating Participant* and the *receiving Participant* are *STTM Users*, the *STTM User* that is to increase its *modified market schedule quantity* for flow from the *hub* must be the *originating Participant*.
- (iii) the proposed *market schedule variation* relates to an *STTM Shipper* and an *STTM User*, the *STTM Shipper* must be the *originating Participant*.
- (f) The *originating Participant* ~~STTM Shipper~~ must ensure that both the *originating Participant* ~~STTM Shipper~~ and the *receiving Participant* have *registered trading rights* that are consistent with the increase or decrease in their respective *modified market schedule quantities* under the proposed *market schedule variation*.
- (g) For the purposes of rule 423(5):
 - (i) the details to be made available by AEMO to the *receiving Participant* are the details provided for in rule 423(2), which includes those detailed in this clause.
 - (ii) the *receiving Participant* is to confirm the *proposed market schedule variation* before 5:00pm on the 7th *gas day* after the *gas day* to which that *market schedule variation* relates.
- (h) For the purposes of rule 423(6), AEMO must make information regarding the status of a proposed *market schedule variation* available to the *originating Participant* ~~STTM Shipper~~ and the *receiving Participant* until 5:00pm on the 7th *gas day* after the *gas day* to which that *market schedule variation* relates.

10.5 Variation Charges

10.5.1 Processing of market schedule variations

- (a) In processing a valid *market schedule variation*, for each combination of *Trading Participant* *p*, *gas day* *d*, *market facility* *k* and flow direction *fd*:
 - (i) first set $FSC(p,d,k,fd) = 0$ and $CSC(p,d,k,fd)=0$; and then

- (ii) for each valid *market schedule variation* for *gas day* d which involves *Trading Participant* p and *market facility* k :
 - (A) add or subtract the *market schedule variation* quantity to $FSC(p,d,k,fd)$ using the rules described in paragraph (c); and
 - (B) add or subtract the *market schedule variation* quantity to $CSC(p,d,k,fd)$ using the rules described in paragraph (c).
- (b) Each valid *market schedule variation* is described as $MSV[d,(op,ok,ofd),(rp,rk,rfd)]$ where
 - (i) 'op' denotes the *originating ~~STTM Shipper Participant~~*;
 - (ii) 'ok' denotes the *originating ~~STTM Shipper Participant~~'s STTM facility*;
 - (iii) 'ofd' denotes the direction of flow of the *originating ~~STTM Shipper Participant~~* for the purpose of the *market schedule variation*;
 - (iv) 'rp' denotes the *receiving Participant*;
 - (v) 'rk' denotes the *receiving Participant's market facility*;
 - (vi) 'rfd' denotes the direction of flow of the *receiving Participant* for the purpose of the *market schedule variation*;
 - (vii) $FSC(op,d,ok,ofd)$ is identical to $FSC(p,d,k,fd)$ with $p=op$, $k=ok$ and $fd=ofd$;
 - (viii) $FSC(rp,d,rk,rfd)$ is identical to $FSC(p,d,k,fd)$ with $p=rp$, $k=rk$ and $fd=rfd$;
 - (ix) $CSC(op,d,ok,ofd)$ is identical to $CSC(p,d,k,fd)$ with $p=op$, $k=ok$ and $fd=ofd$; and
 - (x) $CSC(rp,d,rk,rfd)$ is identical to $CSC(p,d,k,fd)$ with $p=rp$, $k=rk$ and $fd=rfd$.
- (c) The rules as to how $FSC(p,d,k,fd)$ and $CSC(p,d,k,fd)$ for *Trading Participant* p , *gas day* d , *market facility* k and flow direction fd are updated for the purposes of paragraph 0 are described in the following table:

| Originating STTM Shipper Participant Facility | Originating STTM Shipper Participant Direction | Receiving Participant Facility | Receiving Participant Direction | Sign of MSV[d, (op,ok,ofd), (rp,rk,rfd)] | Update to Apply to the FSC and CSC terms |
|----------------------------------------------------------|-----------------------------------------------------------|---------------------------------|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ok ∈ SP | ofd='to' | rk ∈ SP [rk=ok in this case] | rfd='to' | >0 | FSC(op,d,ok,ofd) = FSC(op,d,ok,ofd) + MSV[d, (op,ok,ofd), (rp,rk,rfd)] FSC(rp,d,rk,rfd) = FSC(rp,d,rk,rfd) - MSV[d, (op,ok,ofd), (rp,rk,rfd)] |
| ok ∈ SP | ofd='to' | rk ∈ SP or rk ∈ SN | rfd='from' | If MSV is to increase the <i>modified market schedule</i> of the originating STTM Shipper Participant , >0 If MSV is to decrease the <i>modified market schedule</i> of the originating STTM Shipper , <0 | FSC(op,d,ok,ofd) = FSC(op,d,ok,ofd) + MSV[d, (op,ok,ofd), (rp,rk,rfd)] CSC(rp,d,rk,rfd) = CSC(rp,d,rk,rfd) + MSV[d, (op,ok,ofd), (rp,rk,rfd)] |
| ok ∈ SP | ofd='from' | rk ∈ SP [rk=ok in this case] | rfd='from' | >0 | FSC(op,d,ok,ofd) = FSC(op,d,ok,ofd) + MSV[d, (op,ok,ofd), (rp,rk,rfd)] FSC(rp,d,rk,rfd) = FSC(rp,d,rk,rfd) - MSV[d, (op,ok,ofd), (rp,rk,rfd)] |
| ok ∈ SP | ofd='from' | rk ∈ SN | rfd='from' | If MSV is to increase the <i>modified market schedule</i> of the originating STTM Shipper Participant , >0 If MSV is to decrease the <i>modified market schedule</i> of the originating STTM Shipper Participant , <0 | FSC(op,d,ok,ofd) = FSC(op,d,ok,ofd) + MSV[d, (op,ok,ofd), (rp,rk,rfd)] FSC(rp,d,rk,rfd) = FSC(rp,d,rk,rfd) - MSV[d, (op,ok,ofd), (rp,rk,rfd)] |
| <u>ok ∈ SN</u> | <u>ofd='from'</u> | <u>rk ∈ SN</u> | <u>rfd='from'</u> | <u>>0</u> | <u>FSC(op,d,ok,ofd) = FSC(op,d,ok,ofd) + MSV[d, (op,ok,ofd), (rp,rk,rfd)]</u> <u>FSC(rp,d,rk,rfd) = FSC(rp,d,rk,rfd) - MSV[d, (op,ok,ofd), (rp,rk,rfd)]</u> |