

# IMPACT & IMPLEMENTATION REPORT (IIR)

<b>Issue number</b>	20		
<b>Impacted jurisdiction(s)</b>	Queensland, New South Wales, South Australia, Northern Territory, Tasmania, Victoria, Australian Capital Territory		
<b>Proponent</b>	AEMO	<b>Company</b>	AEMO
<b>Affected gas market(s)</b>	Gas Supply Hub	<b>Consultation process (ordinary or expedited)</b>	Ordinary
<b>Industry consultative forum(s) used</b>	Gas Supply Hub Reference Group		Click or tap to enter a date.
<b>Short description of change(s)</b>	Amendments to the Gas Supply Hub Exchange Agreement to: <ul style="list-style-type: none"> <li>• Create new GSH trading locations at Wilton and Culcairn on the Moomba to Sydney Pipeline.</li> </ul>		
<b>Procedure(s) or documentation impacted</b>	Gas Supply Hub Exchange Agreement		
<b>Summary of the change(s)</b>	New trading locations: <ul style="list-style-type: none"> <li>• Culcairn trading location.</li> <li>• Wilton trading location.</li> <li>• Amendments to multiple schedules to include product specifications at each new trading location.</li> </ul> Change to existing trading location: <ul style="list-style-type: none"> <li>• Amendment to the MSP trading location to permit non-netted trades at Wilton trade point and Culcairn trade point.</li> </ul>		
<b>IIR prepared by</b>	Nicholas Pope	<b>Approved by</b>	Paddy Costigan
<b>Date IIR published</b>	24 November 2020	<b>Date consultation concludes</b>	22 December 2020
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## IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

### CRITICAL EXAMINATION OF PROPOSAL

#### 1. DESCRIPTION OF ISSUE

At present, trading on the Gas Supply Hub (GSH) is available at Wallumbilla, South East Queensland and Moomba. AEMO received feedback from industry that there would be benefit in developing additional trading locations to facilitate the trade of gas in NSW. Participants who want to execute and deliver trades in NSW via the GSH at present have limited ability to do so and have to rely on off-market and bilateral deals instead.

In May 2020, AEMO commenced consultation through the Gas Supply Hub Reference Group (GSHRG) to consider the implementation of new trading locations in NSW. In response to feedback received from the GSHRG, two new trading locations are being proposed on the Moomba to Sydney Pipeline (MSP):

- Culcairn trading location and,
- Wilton trading location.

Culcairn and Wilton are being proposed as these locations are already frequently used by participants for bilateral trading outside of the GSH. AEMO received feedback that participants would benefit from the GSH trading arrangements being available at these locations. The potential benefits include:

- Being able to leverage the GSH's standardised products, terms and conditions to trade with a broader range of counterparties than may be possible on a purely bilateral basis.
- Utilising the GSH trading platform, settlement and prudential framework to facilitate trades, minimising costs and administrative burdens for participants.
- Improving price discovery by having standardised products traded and reported on the GSH at these new locations.

AEMO has also identified a number of broader market benefits from introducing trading locations in NSW including:

- Improving information transparency – details of trades executed through the GSH trading locations would be publicly reported improving the visibility of trading activity in NSW for both industry and policymakers aiding decision making. It should be noted that although significant bilateral trading already occurs at these locations there is no reporting of these transactions at this time.
- Supporting inter-regional trade – price signals generated by the trading of products in NSW would aid participants in trading gas between regions supporting the efficient allocation of gas on the east coast.
- Improving trade into the facilitated markets – Wilton and Culcairn are at the borders of the Sydney STTM and Victorian DWGM respectively. The new locations would enable participants to utilise the GSH to trade around their market positions aiding the efficient operation of both markets.
- Complementarity with swap products – AEMO is currently in the process of developing locational swap products for the GSH between NSW and Wallumbilla. As swaps can improve market access, they may facilitate greater trading in both commodity and swap products at each location.

#### 2. REFERENCE DOCUMENTATION

See attachment A



### 3. OVERVIEW OF CHANGES

AEMO is proposing that the NSW GSH trading locations would operate in a similar manner to the trading locations operating at Wallumbilla, South East Queensland and Moomba and offer the same suite of GSH products. For delivery and title transfer, it is proposed that the locations would leverage the in-pipe trade points (Culcairn trade point and Wilton trade point) commercially provided by APA Group at each location. As with other GSH trading locations, participants are responsible for ensuring that they can access and have the appropriate rights to the delivery points included at each trading locations prior to executing any trades on the Gas Supply Hub.

The proposed modifications to the Exchange Agreement are therefore intended to implement the new two NSW trading locations in a way that is consistent with the existing trading locations on the GSH. The proposed amendments include:

- Two new trading locations added to *schedule 3 - Trading Locations and Delivery Points (Moomba)*
  - Wilton trading location
  - Culcairn trading location
- Amendments to *schedule 3* to include gas specification and pressure requirements for the Culcairn and Wilton trading locations
- Amendments to each Moomba product schedule (on-the-day, daily, day-ahead, day-ahead non-netted, weekly and monthly) to include the Wilton and Culcairn trading locations.
  - Except for the delivery point, the product specifications will be the same as other Moomba trading locations ensuring consistency across products.
  - Non-netted trades and alternate delivery point will not be permitted. This is consistent with how the SEQ trading location operates at Wallumbilla.
- Amendment to the MSP trading location to include Wilton and Culcairn delivery points for non-netted trades.

Please refer to attachment A for the amended drafting.

### 4. LIKELY IMPLEMENTATION EFFECTS AND REQUIREMENTS

AEMO considers that the implementation effects to industry are minor in nature. The implementation of the proposed changes does not require any data interface changes by AEMO or Trading Participants. Participants submitting orders or forming transactions will need to be aware of the new Trading Location information that will be populated in the Order Confirmation, Trade Execution and Delivery Obligation reports.

### 5. OVERALL COST AND BENEFITS

The implementation costs of these changes are minor and AEMO expects no increase to ongoing GSH costs resulting from these changes. Based on industry feedback AEMO considers that these enhancements will deliver the following benefits:

- Improved portfolio management and risk management options by enabling participants to trade gas on the Gas Supply Hub at Wilton and Culcairn.
- Improved transparency of information in the gas market through the publication of information for GSH-facilitated trades at Wilton and Culcairn.

Further detail on the benefits is provided in section 1 of this IIR.

Use of the Gas Supply Hub and these new features is voluntary, and participants are able to undertake their own assessment of whether the benefits of participation outweigh any cost to their organisation.



## **6. MAGNITUDE OF THE CHANGES**

AEMO considers these changes are of a minor magnitude. The proposed changes require material but minor changes to the Exchange Agreement and market systems. AEMO considers that impact on industry participants is not material.

## **7. AEMO'S PRELIMINARY ASSESSMENT OF THE PROPOSAL'S COMPLIANCE WITH SECTION 135EB:**

In accordance with NGR rule 135EB and NGR rule 540, AEMO is satisfied that the proposed changes will contribute to the National Gas Objective as they:

- are likely to result in additional volumes of gas being transacted through the Gas Supply Hub improving information transparency and promoting the efficient operation of the gas market.
- are likely to improve the ability for participants to transact in the market at a lower cost compared to current arrangements.
- aid risk and portfolio management through the ability to trade gas at Culcairn and Wilton on the GSH.
- are not costly to implement.

## **8. CONSULTATION FORUM OUTCOMES**

AEMO raised the proposed change at a GSHRG forum in May 2020. AEMO received supportive feedback for the proposed changes from industry participants. No material concerns were raised.

## **IMPACT & IMPLEMENTATION REPORT – RECOMMENDATION(S)**

### **9. SHOULD THE PROPOSED PROCEDURES BE MADE?**

AEMO recommends that the proposed amendments to the Gas Supply Hub Exchange Agreement are made.

### **10. PROPOSED TIMELINES**

If the changes proceed, AEMO is proposing an implementation timeframe of late January 2021 to make the necessary GSH Exchange Agreement and market system changes. A specific date will be advised in the decision document if the changes proceed. AEMO will provide market participants with 15 business days' notice prior to commencement.



## ATTACHMENT A – DOCUMENTATION CHANGES (SEE SECTION 3)

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

### NSW TRADING LOCATIONS

Schedule 3: Trading Locations and Delivery Points (Moomba)

#### 2. Trading locations and Delivery Points

Trading Location	Delivery Point	Delivery Point Definition
MAP Trading Location (Moomba transfer points on the MAP)	Moomba	Interconnection of the Moomba Gas Plant and MAP
	QSN	Interconnection of the QSN and MAP
	MAP In Pipe Trade Point (IPT)	The notional delivery point immediately downstream of the Moomba Gas Plant Receipt Point at which gas is deemed to be delivered pursuant to the MAP IPT Service on a Gas Day.
MSP Trading Location (Moomba transfer points on the MSP)	Moomba Gas Plant	Interconnection of the Moomba Gas Plant and SWQP at Moomba
	Moomba Low Pressure Trade Point	Any notional trading point within the SWQP Moomba Compound nominated by the Gas Transporter at which transfers of title in gas can be effected
	Culcairn Trade Point	A virtual point on the MSP located adjacent to the point of interconnection between the Victorian Transmission System and the MSP at Culcairn.
	Wilton Trade Point	A virtual point on the MSP located adjacent to the point of Interconnection between the MSP and the Jemena Gas Networks distribution at Wilton.
Culcairn Trading Location	Culcairn Trade Point	A virtual point on the MSP located adjacent to the point of interconnection between the Victorian Transmission System and the MSP at Culcairn.
Wilton Trading Location	Wilton Trade Point	A virtual point on the MSP located adjacent to the point of Interconnection between the MSP and the Jemena Gas Networks distribution at Wilton.

#### 3. Gas Specification

##### 3.1 MAP Trading Location

Gas supplied must be in accordance with AS 4564-2005 and must not contain more than 3% by volume of carbon dioxide.

##### 3.2 MSP Trading Location

In accordance with Australian Standard AS 4564-2005 – Specification for general purpose natural gas.

##### 3.3 Culcairn Trading Location

In accordance with Australian Standard AS 4564-2005 – Specification for general purpose natural gas.

##### 3.4 Wilton Trading Location



In accordance with Australian Standard AS 4564-2005 – Specification for general purpose natural gas.

#### 4. Pressure Range

##### 4.1 MAP Trading Location

As notified by the Gas Transporter to MAP shippers from time to time but no greater than 7322 kPa

##### 4.2 MSP Trading Location

As notified by the Transporter to MSP gas shippers from time to time, but no greater than 9,600 kPa.

##### 4.3 Culcairn Trading Location

As notified by the Transporter to MSP gas shippers from time to time, but no greater than 10,200 kPa.

##### 4.4 Wilton Trading Location

As notified by the Transporter to MSP gas shippers from time to time, but no greater than 5,800 kPa.

#### Culcairn Trading Location

Schedule(s) #	Term	Definition
Schedule 9: Product Specifications for Daily Gas (Moomba) Schedule 12: Product Specifications for Weekly Gas (Moomba) Schedule 13: Product Specifications for Monthly Gas (Moomba)	Delivery Point	Culcairn Trade Point
Schedule 26: Product Specifications for Day-Ahead Netted Gas (Moomba) Schedule 27: Product Specifications for Day-Ahead Non-Netted Gas (Moomba) Schedule 28: Product Specifications for On-The-Day Physical Gas (Moomba)	All other terms	Except for the Delivery Point, this Product Specification is the same as the Product Specification for On-the-Day Physical Gas for Delivery at the MAP Trading Location in item 1 of this schedule.

#### Wilton Trading Location

Schedule(s) #	Term	Definition
Schedule 9: Product Specifications for Daily Gas (Moomba) Schedule 12: Product Specifications for Weekly Gas (Moomba) Schedule 13: Product Specifications for Monthly Gas (Moomba)	Delivery Point	Wilton Trade Point
Schedule 26: Product Specifications for Day-Ahead Netted Gas (Moomba) Schedule 27: Product Specifications for Day-Ahead Non-Netted Gas (Moomba) Schedule 28: Product Specifications for On-The-Day Physical Gas (Moomba)	All other terms	Except for the Delivery Point, this Product Specification is the same as the Product Specification for On-the-Day Physical Gas for Delivery at the MAP Trading Location in item 1 of this schedule.