

8 February 2023

Notice to all Registered Victorian Declared Wholesale Gas Market Participants

This Notice is to advise Participants on AEMO's decision to:

- amend the Wholesale Market Gas Scheduling Procedures
- make the Wholesale Market LNG Reserve Procedures

AEMO is making and amending these Procedures to comply with the AEMC's [DWGM interim LNG storage measures](#) rule change. As a consequence of this Rule change AEMO is consulting on changes to the Wholesale Market Gas Scheduling Procedures and making the new Wholesale Market LNG Reserve procedures.

The Procedures must be in place by 1 March 2023, as required by the Rules, to allow refilling of AEMO's additional required LNG reserve for Winter 2023.

- IIR publication date: 20 December 2022
- IIR consultation submissions due: 24 January 2023
- Notice of Decision published: 8 February 2023
- Effective Date of Procedures: 1 March 2023

As required under Rule 135EF of the NGR, Gas Market Registered Participants and other interested parties were invited to submit comments to AEMO on the changes to the Wholesale Market Gas Scheduling Procedures and the new Wholesale Market LNG Reserve procedures. AEMO received a submission from AGL and Origin Energy along with a few questions from other participants that did not object to the proposed Procedure. These are summarised in Attachment B.

As required under Rule 135EF of the NGR, AEMO then published a Notice of Determination regarding this Procedures consultation on 8 February 2023. The effective date of the new Wholesale Market LNG Reserve procedures and the changes to the Wholesale Market Gas Scheduling Procedures is 1 March 2023.

AEMO has approved the proposed amendments to the versions issued for this consultation as set out in Attachment A of this Notice.

The key provisions are summarised below:

Wholesale Market Gas Scheduling Procedures

Addition of a new chapter 6 for the Operation of AEMO's LNG Reserve detailing:

- Scheduling AEMO's LNG Reserve in response to a Threat to System Security
- Scheduling AEMO's LNG Reserve for disposal
- Appropriate cross referencing of these process in other sections of the Procedure and to the LNG Reserve Procedure.
- There have been a few minor editorial changes that did not substantively change the Procedure issued with the IRR for this consultation.

Wholesale Market LNG Reserve Procedures

This is a new Procedure required by the AEMC's [DWGM interim LNG storage measures](#) rule change, relating to:

- contracting for LNG storage capacity;
- the acquisition of gas for storage on its behalf as LNG stock;
- the disposal or reduction of the LNG stock held on its behalf, including:
- specify the terms and conditions on which LNG stock is to be transferred to a Market Participant; and
- specify the methodology to be used by AEMO to determine the price of LNG stock transferred to a Market Participant;
- cost recovery and return of proceeds;
- include the methodology to be used by AEMO to determine the allocation factor for each Market Participant for each relevant year;
- deal with the publication of information; and
- provide information to explain the arrangements for cost recovery and return of proceeds.
- the following amendment was made to the initial version issued with the IRR for this consultation in section 4.1(c) of the Procedure to clarify the impact of special revisions on the Allocation Factor calculation.

Attachment A – Documentation

Final and track changes of the versions issued for this consultation are attached separately to this document:

- Wholesale Market Gas Scheduling Procedures
- Wholesale Market LNG Reserve Procedures

Attachment B – Response to Participant Submissions

Final and track change versions are attached separately to this document:

Participant	Issue	AEMO Response
AGL	AGL’s view is that it is best to limit AEMO’s participation in the market as much as possible, and that AEMO’s new buyer and supplier of last resort powers should only be exercised as a true last resort. Accordingly, should AEMO need to intervene to alleviate a threat to system security, AGL’s preference is for AEMO to explore its broad discretion under Section 5.3.5 of the Gas Scheduling Procedure and request that a Market Participant contract for the required quantities of gas.	Noted. AEMO considers that the Procedure as currently drafted achieves this objective.
AGL	Despite our general views about AEMO’s new powers, AGL is supportive of the new section 6 of the Gas Scheduling Procedure, which details the operation of AEMO’s LNG reserve. The amendments appropriately deal with pricing and tie-breaking rights.	Noted.
Origin Energy	Clause 2.2 sets out the process for AEMO to withdraw gas from the declared transmission system (DTS) to the LNG reserve. We consider this clause should be updated to ensure market participants retain priority access to refills relative to the schedule agreed between AEMO and the LNG Storage Provider. This aligns with the supplier of last resort principle that AEMO should not be competing with participants. Clause 2.2(d) also specifies that “AEMO may enter a demand forecast in market systems via WebExchanger that equates to the refill schedule quantity agreed with the LNG Storage Provider for each gas day.’ Ensuring participants have full visibility of the agreed withdrawal schedule (for refilling) and forecast withdrawals will be important to allow market participants to anticipate and manage any potential impacts where they consider AEMO’s withdrawals may affect the market clearing price on a given day. It would also allow participants to form a view on AEMO’s likely procurement costs and take actions to minimise exposure to those costs (assuming costs are allocated in a more targeted way to causers), which could include contracting additional DLNG capacity. We therefore recommend the wording is updated to “AEMO will enter a demand forecast...”	Noted. AEMO’s intention is that the LNG processes would be completed during business hours by operational support and would not be an additional task to be completed by on-call support. The obligation was created as “may” instead of ‘will’ was to reflect that any changes to the LNG refill schedule would only be reflected from the next business day.

Origin Energy	As drafted, participants must accept all or none of the gas offered under 3.2.1(a) in the event AEMO seeks to dispose of its LNG stock. The procedures should provide scope for acceptance of a lower volume, noting there may be circumstances where a participant only has capacity to procure a proportion of the gas being offered.	Noted. AEMO considers this would be clear as part of the off. AEMO has updated the Procedure to provide this clarity.
Origin Energy	We also recommend the wording under 3.2.1(a)(iv) is also updated to clarify whether injections will be made on non-business days, noting the wording is currently unclear.	Noted. AEMO considers the Procedure is clear that the process occurs on business days. An LNG injection bid is made for a gas day or period of gas days.
Origin Energy	<p>Under the proposed methodology for determining the price of an AEMO LNG stock transfer, the price would be based on the cost of liquefaction at the date of AEMO's offer to transfer, plus the greater of:</p> <ul style="list-style-type: none"> a. the sum of charges AEMO incurred to fill the reserve (with some adjustments based on reserve levels and previous transfers); and b. the average of the market price set at the 6am schedule for the current day and last six days. <p>While we recognise the intent of this methodology is to maximise the potential value of the stock for market participants more broadly, we consider the simplest and most transparent approach is to remove clause (a) and base stock transfer prices on the cost of liquefaction plus the average 6am market price alone, noting this is more likely to reflect normal LNG contracting costs considered by market participants. Where the market price (under (b)) is below the sum of charges AEMO incurred (under (a)), a stock transfer offer is also less likely to be accepted in practice, as market participants would seemingly be incentivised to procure supply from the market for liquefaction at a lower cost. This could ultimately lead to less efficient utilisation of AEMO's LNG stock. Where (a) is to be retained, it is important to ensure the cost inputs are transparently reported or at the very least, made available on request to prospective buyers.</p>	<p>Noted. AEMO considers that the opportunity cost during winter requires a different price structure. AEMO notes the 6 monthly reporting requirement, under NGR286C(2), will report the value of the gas in storage on 1 May and 1 November each year which should provide transparency around the value of gas in storage. Otherwise, the participant may contact AEMO when seeking to procure storage to understand the cost of LNG.</p>
Origin Energy	<p>The proposed methodology also outlines a slightly different approach to determining the LNG stock transfer price during non-winter periods when 'disposal or relinquishment is required in a short timeframe'. It would be beneficial for AEMO to clarify:</p> <ul style="list-style-type: none"> - why AEMO charges (under (a)) are not 'adjusted for previous LNG stock transfers 	Noted. AEMO has adjusted the Procedure to reflect the change to section 3.2.3 paragraph (a) to be the same in Winter and non-Winter periods.

	<p>and any quantity of LNG stock injected into the market' as per the approach for winter periods, noting it would seem reasonable to do so in any period where (a) applies;</p> <p>- what pricing methodology is intended to apply in non-winter periods where disposal / relinquishment is required, but not in a short timeframe.</p>	
Participant Query 1	<p>Will the AEMO LNG Reserve be listed as a separate charge/line item on settlement statements?</p>	<p>Yes, AEMO intends to have a separate line item in the AEMO's DWGM settlements report. Additional details will be provided as part of the IT change release.</p>
Participant Query 2	<p>What happens if multiple Market Participants purchase LNG Storage Capacity at the same time? Will this be resolved on a first in, first serve basis; and equal pro-rata basis if the requests come in at exactly the same time (and there's not enough LNG stock)?</p>	<p>AEMO will follow the process specified to dispose of LNG stock exceeding AEMO's LNG storage capacity when a Market Participant purchases LNG storage capacity.</p> <p>AEMO will release the LNG stock when a participant pays for the LNG stock. There is a limited window for AEMO to dispose of LNG stock. If not paid in a timely manner then AEMO will move to the next step in the process.</p>