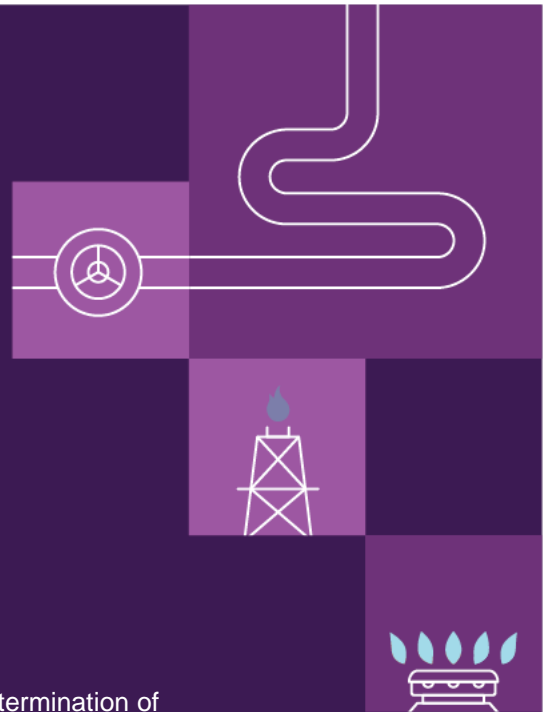




Guidance on Gas Compensation Determinations

Rule 135JD(3) AEMO must publish guidance about the process for determination of compensation claims



Prepared by: AEMO Gas Operations

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Current version release details

Version	Effective date	Summary of changes
1.0	31 July 2024	The initial Guidance on Gas Compensation Determinations required by the AEMC’s gas compensation and dispute resolution frameworks rule change.

Important Notice

Purpose

AEMO has prepared this document pursuant to rule 135JD(3) to provide guidance about the process for determination of compensation claims under rule 344 or 350 of Part 19, rule 433 of Part 20 and Division 6 of Part 27 of the National Gas Rules (NGR), as at the date of publication.

Disclaimer

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1. Introduction

1.1. Purpose and scope

This is the Guidance on Gas Compensation Determinations (Guidance) required by Rule 135JD(3) of the National Gas Rules (NGR). This Guidance has effect only for the purposes set out in the NGR. The NGR and the National Gas Law (NGL) prevail over this Guidance to the extent of any inconsistency.

AEMO must publish guidance about the process for determination of compensation claims, as required by rule 135JD(3), which may include guidance about:

- (a) the selection of independent experts and if applicable, the maintenance by AEMO of a pool of potential independent experts;
- (b) how potential conflicts of interest will be managed; and
- (c) giving notice of a claim, the claims process and indicative timetables.

This Guidance is about the process for determination of compensation claims in:

- (a) Declared Wholesale Gas Market (DWGM) under rule 237(2) and the *compensation procedures*; or
- (b) Short Term Trading Market (STTM) under rule 465(2) and the *STTM Procedures*; or
- (c) East Coast Gas System (ECGS) reliability and supply adequacy arrangements under rule 705(3) and the *ECGS Procedures*.

1.2. Definitions and interpretation

1.2.1. Glossary

Terms defined in the NGL and the NGR have the same meanings in this Guidance unless otherwise specified in this clause.

Defined terms in the NGR are intended to be identified in these Guidance by italicising them, but failure to italicise a defined term does not affect its meaning.

1.2.2. Interpretation

The following principles of interpretation apply to this Guidance unless otherwise expressly indicated:

- (a) This Guidance is subject to the principles of interpretation set out in Schedule 2 of the NGL.
- (b) References to time are references to Australian Eastern Standard Time.

1.3. Related documents

The following related documents should be referenced by participants:

Title	Location
National Gas Rules	https://energy-rules.aemc.gov.au/ngr/513
Wholesale Market Settlement Procedures	https://www.aemo.com.au/energy-systems/gas/declared-wholesale-gas-market-dwgm/procedures-policies-and-guides
ECGS Procedures	https://www.aemo.com.au/energy-systems/gas/east-coast-gas-system/procedures-and-guidelines
STTM Procedures	https://www.aemo.com.au/energy-systems/gas/short-term-trading-market-sttm/procedures-policies-and-guides

1.4. Document Change Process

AEMO is required to publish this Guidance and may update the document from time to time.

2. Compensation Determination Process

The *gas compensation determination process* has the following parts:

- (a) Compensation claim event
- (b) Notice of compensation claim
- (c) Nomination and appointment of an Independent Expert¹
- (d) Independent Expert's determination of compensation claim
- (e) Review of Independent Expert's determination
- (f) AEMO payment and charges for compensation claim

These processes are discussed in the following sections.

2.1. Compensation claim events

A compensation claim is defined in rule 135F to include:

- (a) Victorian Declared Wholesale Gas Market (DWGM) - a claim for compensation under rule 344 or 350 of Part 19, notified to AEMO under rule 237(1);
 - (i) Rule 344 allows for any intervention by AEMO, under rule 343, for an intervention for system security, which specifically includes for:
 - (A) Rule 343(c) - requiring Registered participants to use reasonable endeavours to inject gas which is available and to which the Registered participant is entitled, but which has not been bid into the market on the relevant gas day or which is non-firm gas, recognising in the case of non-firm gas the uncertainties associated with the supply and injection of that gas;; or
 - (B) Rule 343(d) - requiring any Registered participant to inject off-specification gas into the declared transmission system.
 - (ii) Rule 350 registered participant claims in respect of application of administered price cap, if:
 - (A) Rule 350(a) - the resultant market price payable to that Registered participant is less than the price specified in its injection bid; or
 - (B) Rule 350(b) - ancillary payments to the Registered participant for the gas injected are reduced.
- (b) Short Term Trading Market (STTM) - a claim for compensation under rule 433 of Part 20, notified to AEMO under rule 465(1):

¹ In relation to a claim under clause 465 of the STTM Rules, an independent expert will not be appointed if AEMO is satisfied that the claim is not controversial, and AEMO, with the agreement of the claimant, determine the claim and the other matters required under rule 466.

- (i) A Trading Participant may make a claim in accordance with rule 465 for loss incurred in respect of:
 - (A) Rule 433(a) - a quantity of gas (other than contingency gas) supplied to a hub if, due to the application of rule 428 (administered price cap) or 431 (market administered settlement state), the net amount per GJ payable to that Trading Participant in respect of that quantity is less than the price specified for that quantity in its ex ante offer; and
 - (B) Rule 433(b) - contingency gas provided to a hub if, due to the application of rule 428 (administered price cap), 430 (market administered scheduling state) or 431 (market administered settlement state), the high contingency gas price is less than the price specified in its contingency gas offer.
- (c) East Coast Gas System (ECGS) - a claim for compensation under Division 6 of Part 27, notified to AEMO in a notice of claim under rule 705 for:
 - (i) Rule 704(1)(a) - for a relevant entity subject to a direction that requires the relevant entity to provide a gas service—the direct costs associated with the supply of the gas service;
 - (ii) Rule 704(1)(b) - for a relevant entity deprived of a gas service in relation to which the relevant entity had a contractual or other legal right—the direct costs associated with the deprivation of that service, but only if the relevant entity remains liable for the payment of the direct costs under the relevant contract or otherwise by law.

2.2. Notice of compensation claim

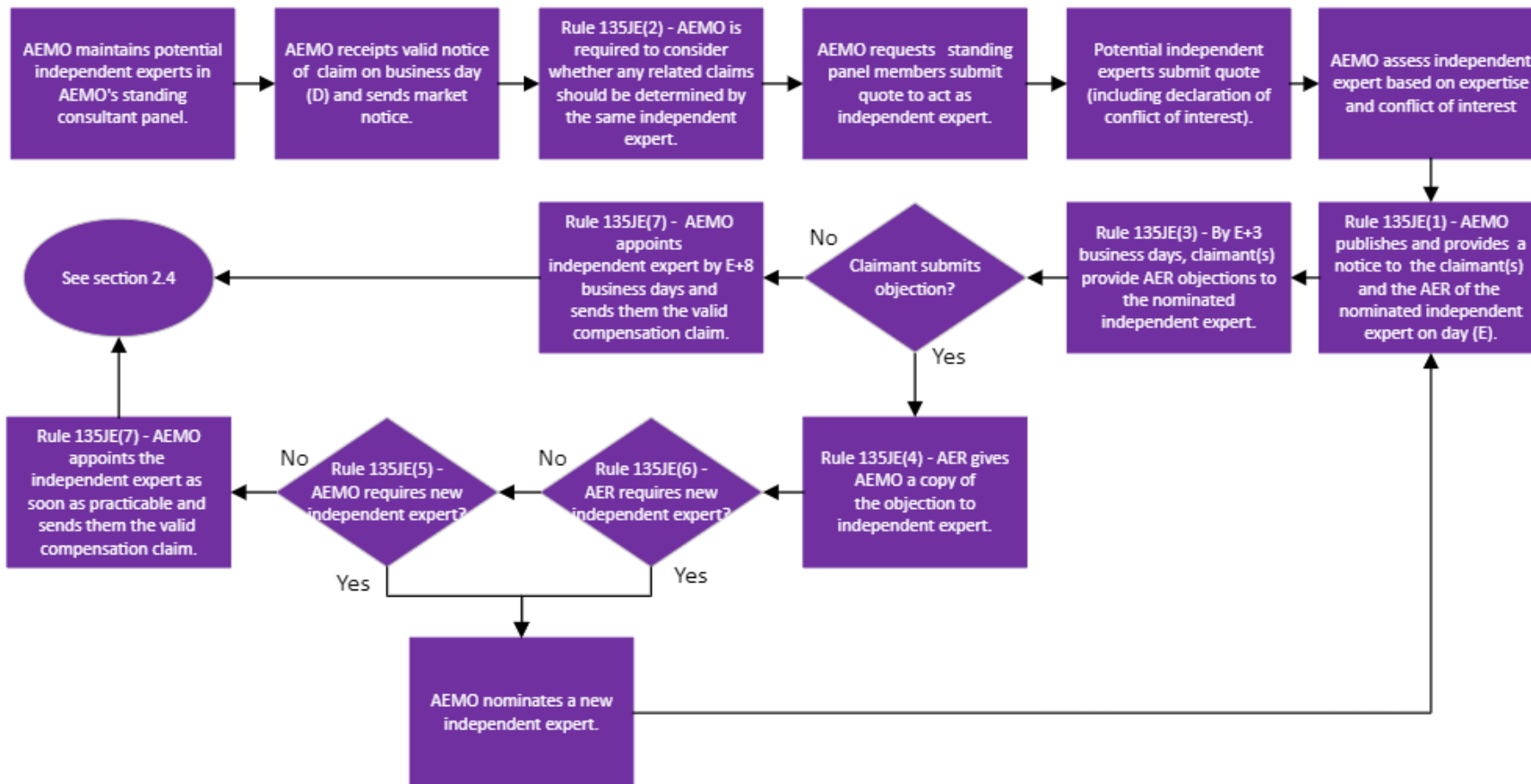
Each gas market is operated by different Rule provisions and Procedures and therefore has different requirements for making compensation claims.

- (a) In relation to a compensation claim under Part 27 (East coast gas system reliability and supply adequacy):
 - (i) a valid notice of claim must be given by a relevant entity in accordance with clause 705(2) of the Rules and section 4.1 of the East Coast Gas System Procedures
 - (ii) a claimant may withdraw its notice of claim before the date the claimant is required to provide written submissions under rule 135JG(3)(b). The claimant should send its written notice of withdrawal to AEMO via bbo@aemo.com.au and the independent expert if one has been appointed at the time of withdrawal.
- (b) In relation to a compensation claim under Part 19 and Part 20, although the Rules and the Procedures do not specify details that must be included in a notice of claim, it is suggested that a notice of compensation claim for the DWGM and STTM should include the following information:
 - (i) Company Name of the claimant;
 - (ii) Australian Business Number of the claimant;
 - (iii) The claimant's Registered participant company ID (if registered);

- (iv) Contact person name;
 - (A) Contact details: email, phone number and mobile number are to be provided in a confidential appendix to the claim;
- (v) Claim details:
 - (A) Clear and concise explanation of the claim against the Rule and Procedure requirements;
 - (B) Gas day date(s) for which the claim applies;
 - (C) The quantity of gas for each impacted gas day(s);
 - (D) The amount (in dollars) of the compensation claim (exclusive of the amount in (E) and (F) below) reflecting only direct costs of the event;
 - (E) The amount (in dollars) of compensation provided by AEMO to date, noting the requirements of (b) below;
 - (F) Any other benefit (including funds, payments, compensation or other financial benefit) the claimant received for undertaking the activity required by the compensation as a direct result of the compensation event;
- (vi) Any compensation amount or value related to settlement in an AEMO facilitated gas market transaction:
 - (A) If final settlement amount for a market transaction for the gas day(s) is expected to be provided by AEMO in future, then the claimant is to report the settlement amount expected based on currently available information.
 - (B) AEMO may provide the settlement amount for a market transaction as confidential information, the business day after AEMO's provisional and final settlement for the market transaction, to the independent expert and claimant for the purpose of facilitating the compensation determination process.
- (vii) Supporting information including:
 - (A) Supporting contracts including, but not limited to, sales, purchase, swap, storage agreements and/or transportation agreements.
 - (B) The calculation of the compensation claim amount including any assumptions underpinning the calculation that aligns to the values in (a)(v) above.
 - (C) Other relevant evidence supporting the compensation claim.
 - (D) The claimant is to indicate the information that is confidential.
- (viii) A notice to AEMO making a claim for compensation for the DWGM or STTM must be emailed to AEMO's Supporthub for the attention of Gas Market Operations.

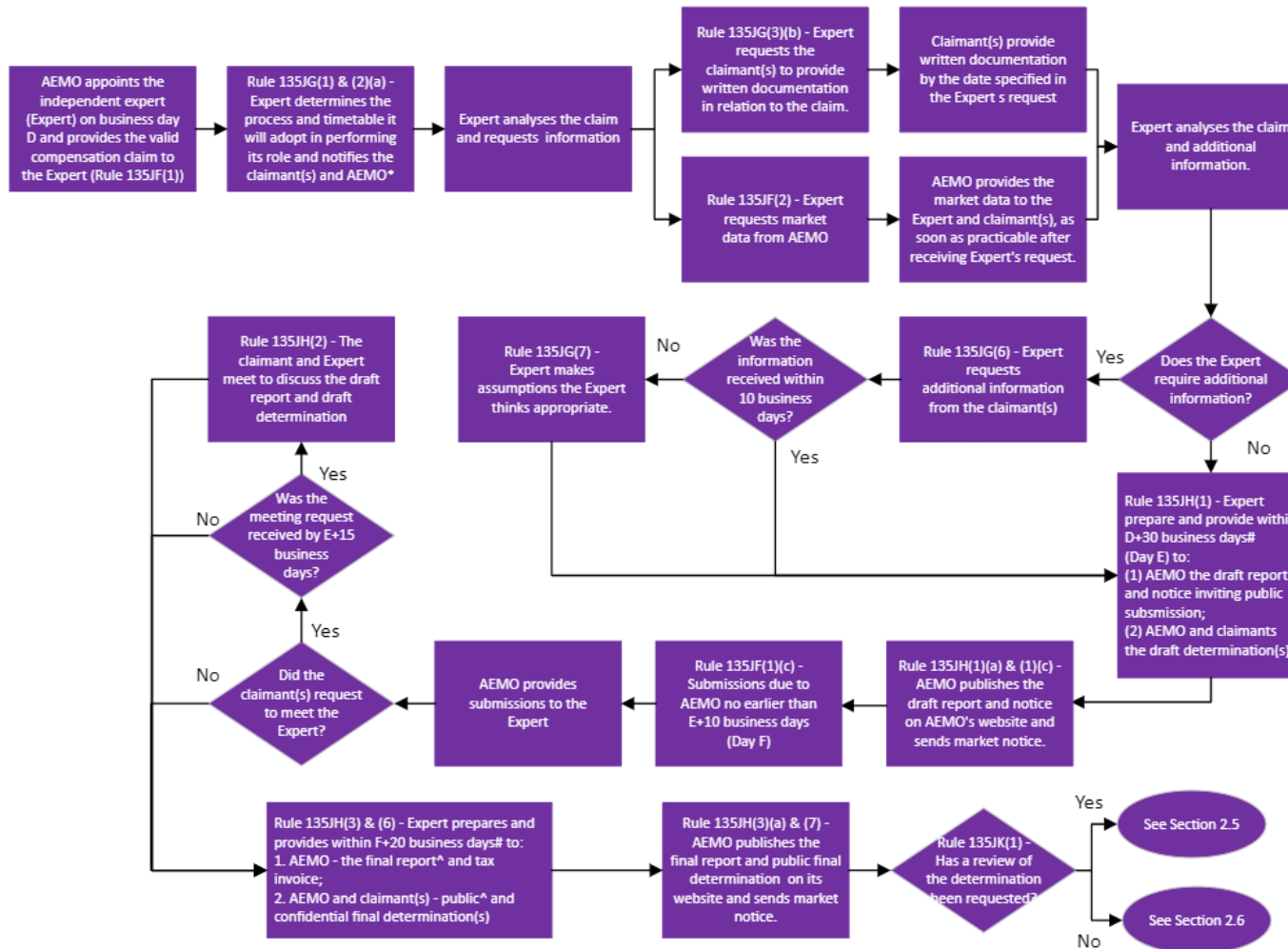
2.3. Nomination and appointment of an Independent Expert

The following process is required by Rule 135JE for the nomination and appointment of an independent expert to determine a compensation claim.



2.4. Independent Expert's determination of compensation claim

The following process applies under Rule 135JG for an independent expert to assess a compensation claim.



Notes:

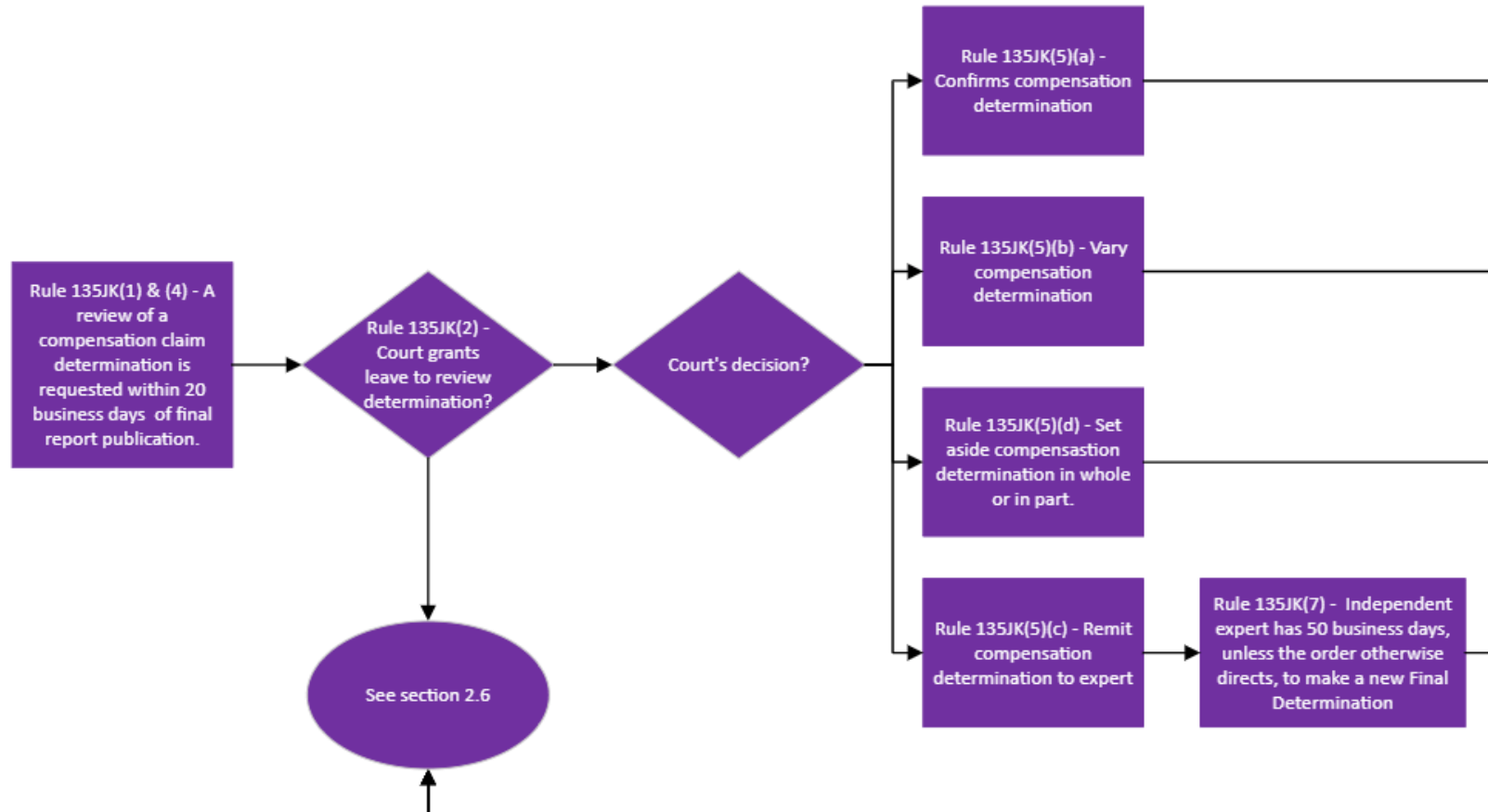
* Rule 135JG(4) - The independent expert may amend the process and timetable at a later date by notifying the claimant(s) and AEMO.

The independent expert may extend the timelines for the reasons outlined in Rule 135JG(5)(b)

^ Rule 135JH(5) & 135JH(6) - The Expert is to ensure the draft reports, final reports and public final determination do not contain confidential information.

2.5. Review of Independent Expert's determination

The following process applies under Rule 135JK for a Court to review an independent expert's determination of a compensation claim.



2.6. AEMO payment and charges for compensation claim

AEMO will apply the charges for a compensation claim (including the costs of the compensation claim process) as per the compensation claim determination. The compensation payment for claimant(s) will be paid with each AEMO settlement cycle on the basis of the compensation charges received by AEMO.