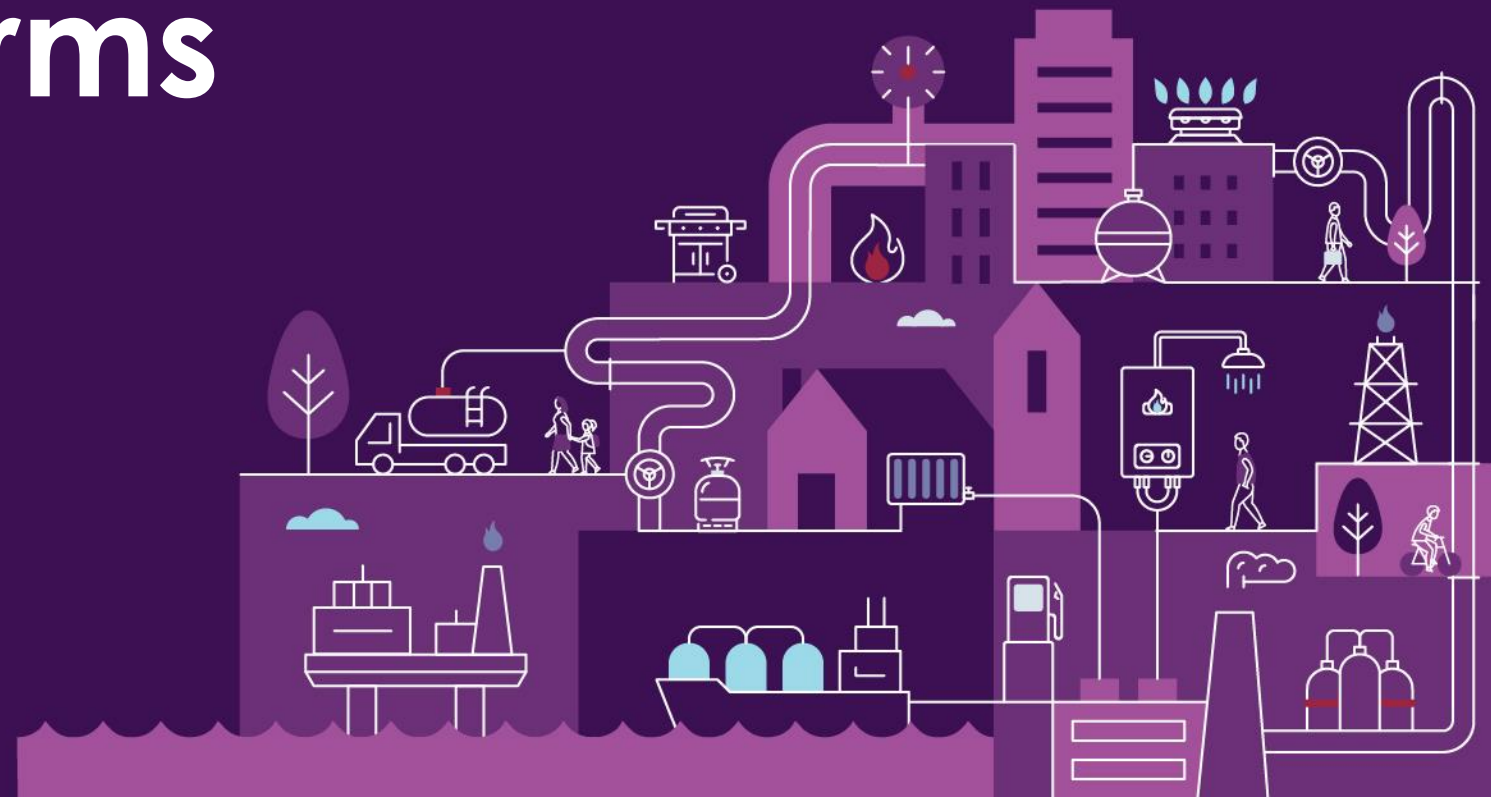


# East Coast Gas System Reforms

Stage 1 implementation –  
meeting 3



We acknowledge the Traditional Owners of country throughout Australia and recognise their continuing connection to land, waters and culture.

**We pay respect to their Elders  
past, present and emerging.**

# Meeting recording notice

Please note that this meeting will be recorded by AEMO and the recording may be made generally available and accessible on AEMO's website as a resource. AEMO may also access and use the recording to take meeting notes.

By attending the meeting, you consent to AEMO recording the meeting and using the recording for these purposes.

# AEMO Competition Law meeting protocol

- AEMO is committed to complying with all applicable laws, including the Competition and Consumer Act 2010 (CCA). In any dealings with AEMO regarding proposed reforms or other initiatives, all participants agree to adhere to the CCA at all times and to comply with this Protocol. Participants must arrange for their representatives to be briefed on competition law risks and obligations.
- Participants in AEMO discussions must:
  - Ensure that discussions are limited to the matters contemplated by the agenda for the discussion
  - Make independent and unilateral decisions about their commercial positions and approach in relation to the matters under discussion with AEMO
  - Immediately and clearly raise an objection with AEMO or the Chair of the meeting if a matter is discussed that the participant is concerned may give rise to competition law risks or a breach of this Protocol
- Participants in AEMO meetings must not discuss or agree on the following topics:
  - Which customers they will supply or market to
  - The price or other terms at which Participants will supply
  - Bids or tenders, including the nature of a bid that a Participant intends to make or whether the Participant will participate in the bid
  - Which suppliers Participants will acquire from (or the price or other terms on which they acquire goods or services)
  - Refusing to supply a person or company access to any products, services or inputs they require

Under no circumstances must Participants share Competitively Sensitive Information. Competitively Sensitive Information means confidential information relating to a Participant which if disclosed to a competitor could affect its current or future commercial strategies, such as pricing information, customer terms and conditions, supply terms and conditions, sales, marketing or procurement strategies, product development, margins, costs, capacity or production planning.

For further information, please see the [Competition and Consumer Act](#).

# Online forum housekeeping

1. Please mute your microphone, this helps with audio quality as background noises distract from the information being shared.
2. Video is optional, but having it turned off helps with performance and minimises distractions.
3. We ask that you utilise the Chat function for any questions or comments you may have. This aids note keeping and keeps discussions flowing smoothly.
4. Raise your hand if you wish to speak to an item. This keeps conversations orderly.
5. If you have dialled in via phone, please email [GasReform@aemo.com.au](mailto:GasReform@aemo.com.au) your name and organisation for our records.
6. If your name appears abbreviated on Teams or is otherwise not fully reflected in the app, please add your name and organisation to the chat for our records.
7. Be respectful of all participants and the process.
8. This is an industry forum for briefing participants, any media should contact AEMO's Media team for information about events occurring in the market. Media enquiries can be made via [media@aemo.com.au](mailto:media@aemo.com.au).
9. Please email [GasReform@aemo.com.au](mailto:GasReform@aemo.com.au) with any questions/feedback post the meeting.

# Agenda

- Recap (Procedures, guidelines, Part 27 register)
- Conferences
- Directions
- Trading
- Feedback received
- Next Steps

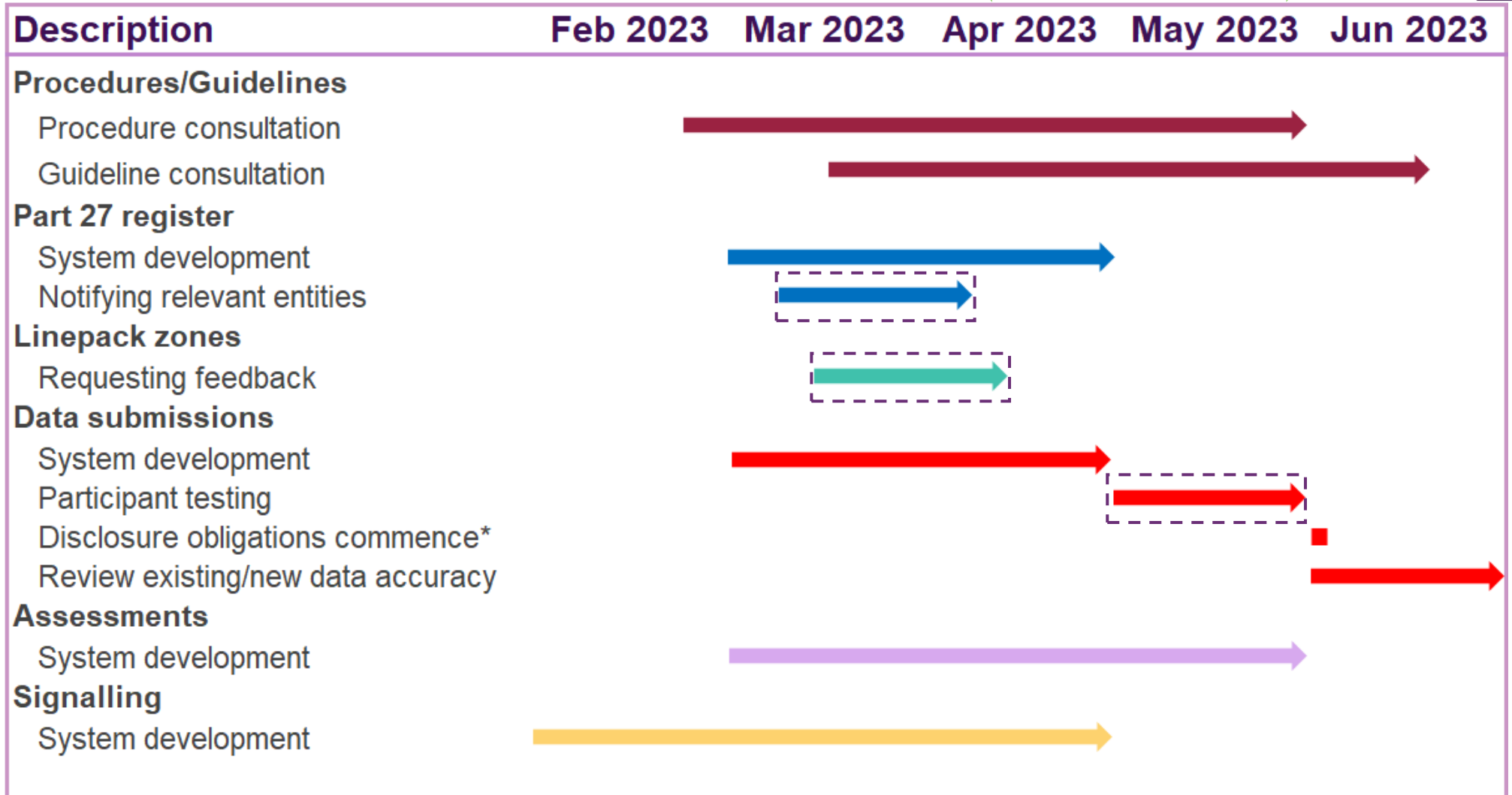
# Stage 1 implementation East Coast Gas System reforms

- AEMO is aiming to implement Stage 1 (**part 27 of the Rules**) prior to winter 2023. The East Coast Gas System Bill was successful in its passage.
- AEMO's new functions include:
  - Creation of the **Part 27 register** – a register of part 27 participants (**relevant entities**)
  - Collection of additional data utilising the Gas Bulletin Board submission screens within the Market Portal
  - AEMO's monitoring of the **east coast gas system** to assess the likelihood of a risk or threat to the reliability or adequacy of gas supply
  - Communicating to the industry where a risk or threat has been identified, including the ability for AEMO to hold conferences
  - Directing gas industry participants to resolve a potential or actual risk or threat
  - AEMO can trade in natural gas to the extent required, including the establishment of a \$35 million trading fund.

East coast gas system includes all states and territories apart from W.A.

# Indicative timeline

Go-live window

It's likely that all obligations commence around 1 June 2023 when Procedures go-live



# Part 27 register of relevant entities

- Used for contacting relevant entities, and identifying system access
- AEMO has started contacting people to commence populating the register
- Part 27 contact details to be stored against existing participant registrations
- There is no Part 27 registration category
- Initial focus has been on data submitters (i.e., BB reporting entities for BB facilities and Part 27 retailers) but other relevant entities can be included on the register

BB facilities have a threshold of nameplate being greater than or equal to 10 TJ/day. There is no threshold on Part 27 retailers

# Linepack Zones

Unless otherwise determined by agreement with AEMO in relation to a particular BB pipeline, each of the following is a linepack zone:

- i. the starting point or end point of a BB pipeline and an adjacent pipeline compression facility;
- ii. the section of a BB pipeline between two sequential compression facilities, including all lateral pipelines;
- iii. the section of a BB pipeline between two non-sequential midline compression facilities where there is no receipt or delivery connection point between those facilities;
- iv. the starting point and the end point of a BB pipeline where there is no mid-line compression facility.

AEMO will work with pipeline operators to determine alternative Linepack Zones, which may be accepted by AEMO where it can be demonstrated to still meet AEMO assessment requirements.

Initial requests have been sent out to pipeline operators to engage on the development of each pipeline's linepack zones

# Procedure consultation

Consultation step	Description	Timeline
First round consultation	Publish Proposed Procedure Change (PPC)	Tuesday 28 February 2023
	PPC submissions close	Tuesday 14 March 2023
Second round consultation	Publish Impact and Implementation Report (IIR)	Tuesday 28 March 2023
	IIR submissions close	Friday 28 April 2023
Publication	Final Notice	Thursday 11 May 2023
	Effective Date	Thursday 1 June 2023

- AEMO has published the following documents
  - East Coast Gas System Procedures
  - BB Procedures
  - BB Submission Guide
  - CEPA report – recovering the costs of gas directions and the trading fund

<https://aemo.com.au/consultations/current-and-closed-consultations/implementation-of-east-coast-gas-system-procedures>

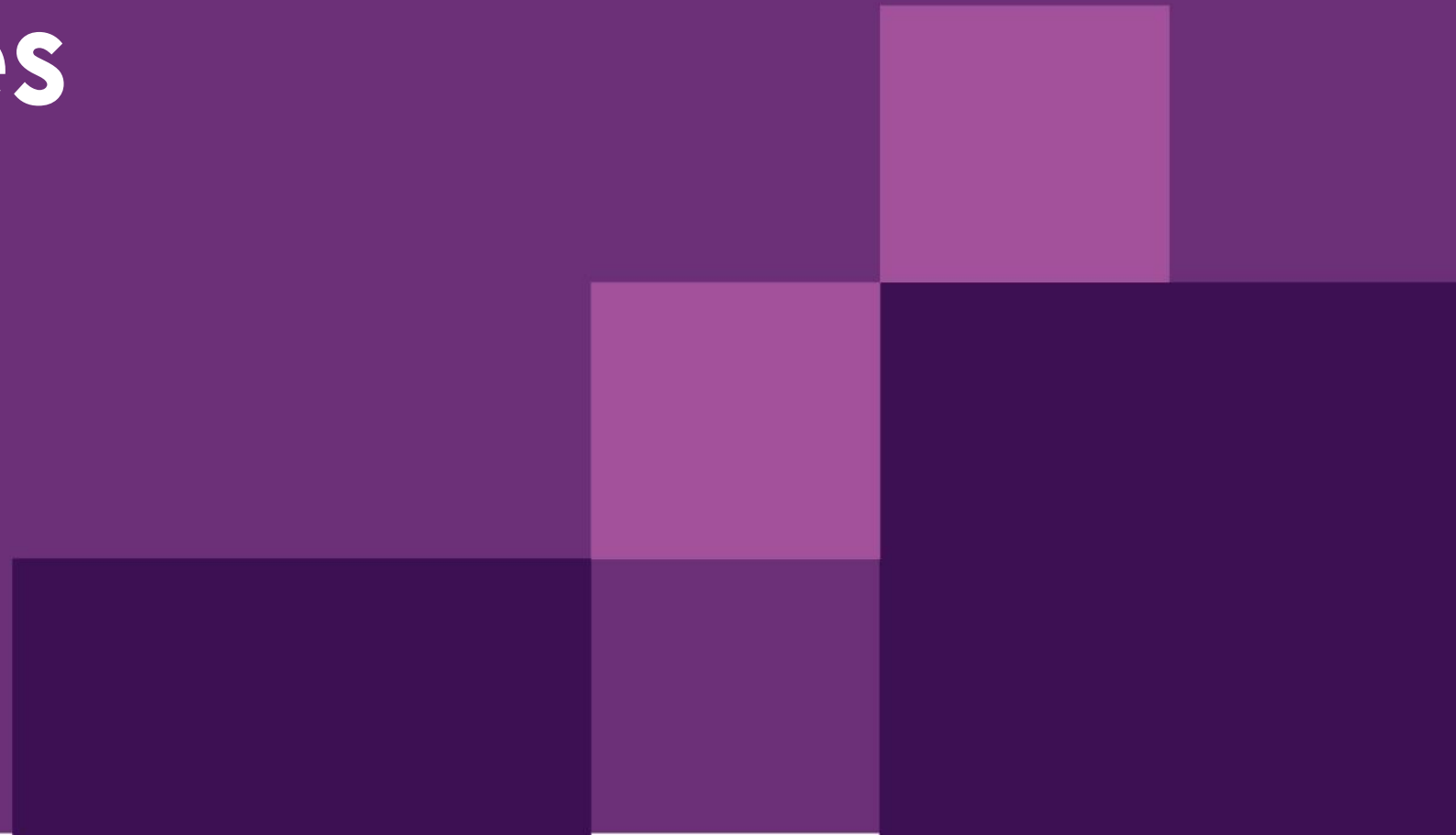
# Guideline consultation

Consultation step	Description	Timeline
First round consultation	Publish Initiation of Consultation	Thursday 16 March 2023
	Submissions to Initiation of Consultation close	Thursday 6 April 2023
Second round consultation	Expected Publish Draft Decision	Monday 24 April 2023
	Submissions to Draft Decision close	Tuesday 16 May 2023
Publication	Expected Final Decision	Tuesday 13 June 2023
	Effective Date	Tuesday 27 June 2023

- Guidelines are currently out for feedback

<https://aemo.com.au/consultations/current-and-closed-consultations/implementation-of-east-coast-gas-system-guidelines>

# Signalling and conferences



# East Coast Gas Adequacy Conference

A conference is intended to provide a platform for the exchange of information about matters impacting on gas supply and demand conditions as they relate to a potential or actual risk or threat.

**Assessment conference:** assess whether there is or is not a potential threat and identify options that may mitigate or resolve a threat.

**Industry conference:** inform industry of an identified threat and the options available to mitigate or resolve that threat.

# Invitation to a conference

## AEMO will:

- provide a conference notice by email and/or SMS which will include details of the proposed conference.
- endeavour to hold conferences within standard business hours with at least one hours' notice. Though conferences may be held outside of business hours or at short notice.

## AEMO may:

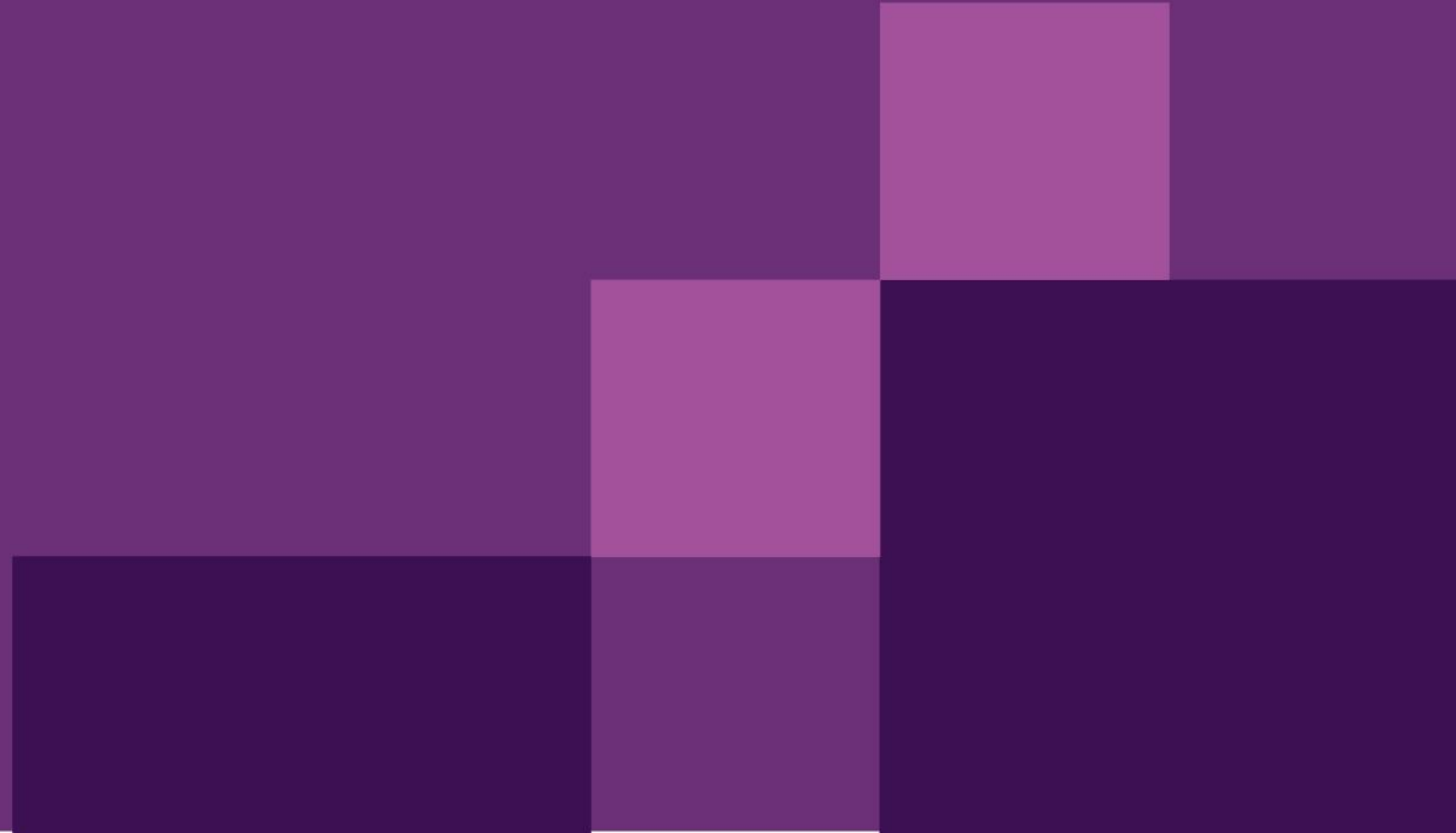
- invite all of industry, specific entities or classes of relevant entities as may be required.
- schedule multiple conferences within a day, as required to assess or communicate a threat and response measures.
- cancel a scheduled conference at any time.
- hold a conference after the threat has been resolved.

# Discussion at a conference

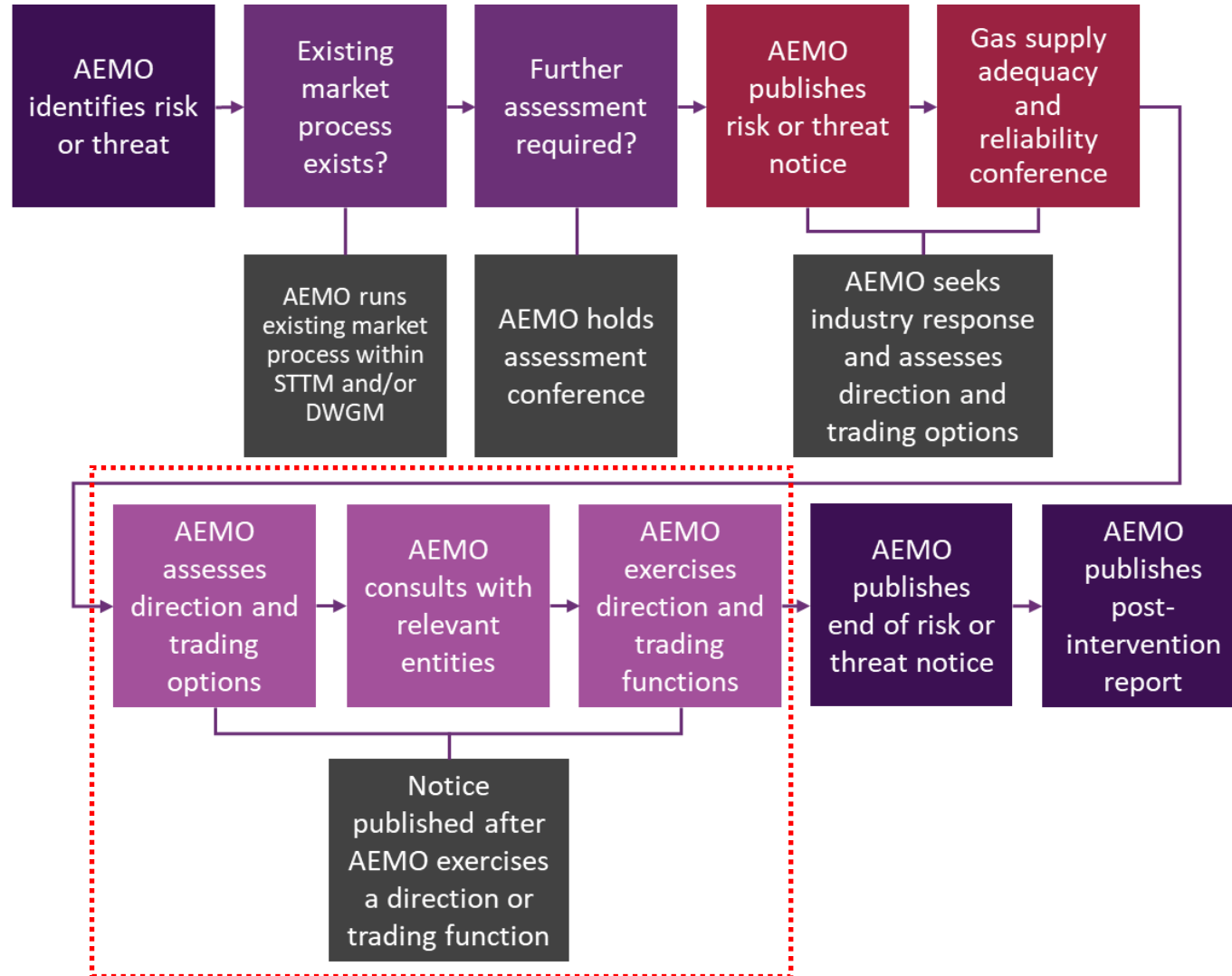
- AEMO will chair the conference and may present information relevant to the actual or potential risk or threat. Information provided will be publicly available or aggregated information.
- Only one representative from each organisation should speak on behalf of that organisation.
- Representatives must be briefed on competition law risk and comply with AEMO competition law meeting protocol.
- Representatives must be prepared to provide input to the conference with regards to the threat, as matters apply to their organisation.
- An organisation can indicate information is confidential and AEMO may engage directly with the organisation outside of the conference.



# Directions



# Directions



# Directions

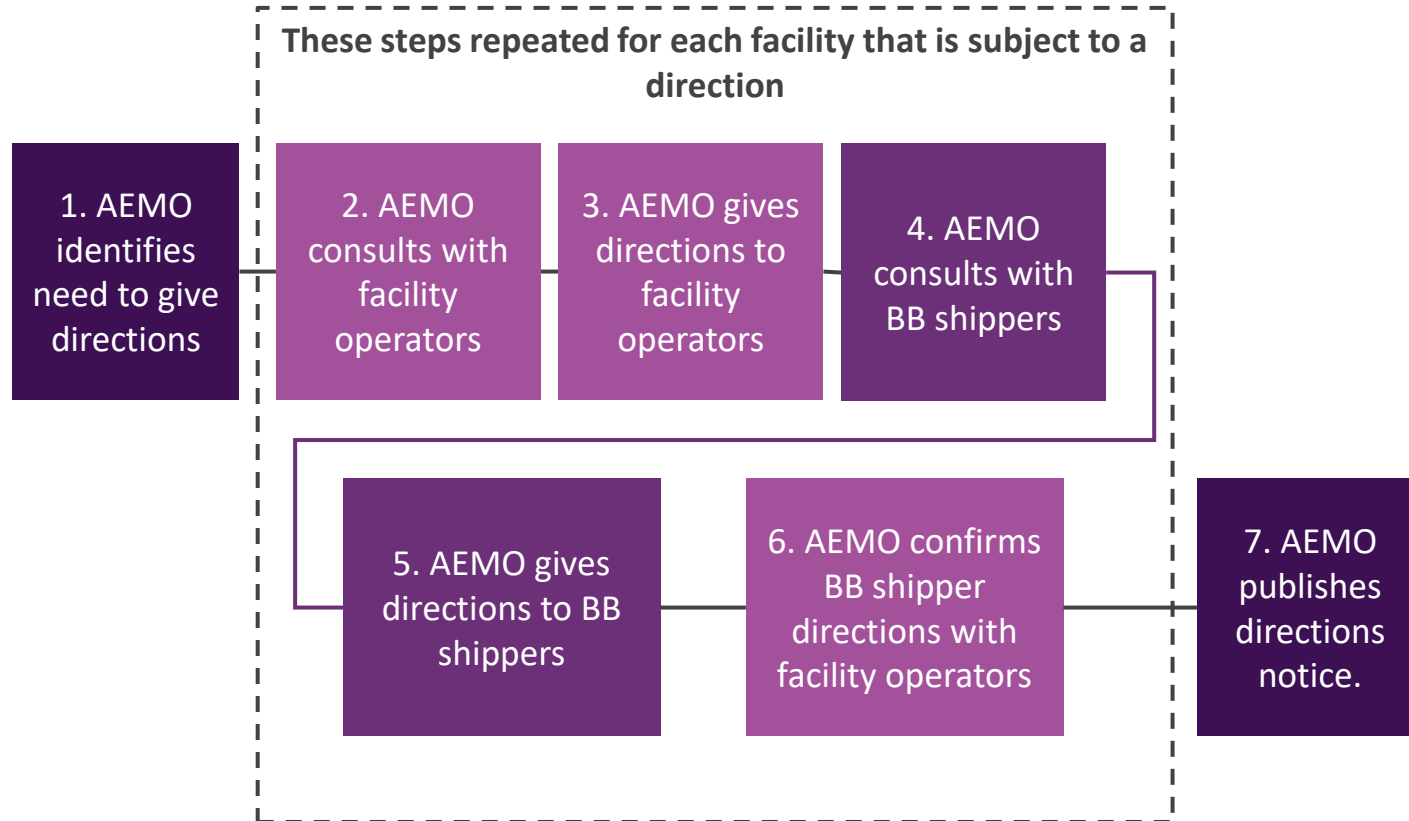
- Industry should have a reasonable period of time to take action to mitigate the identified risk or threat
- Jurisdictions and ACCC are engaged early in the process
- AEMO should aim to minimise distortionary impacts and consumer costs
- Safety should not be compromised
- Directions will be given if AEMO is of the opinion that the giving of the direction is necessary to prevent, reduce or mitigate an actual or potential threat.

**Directions/trading are last resort options available to AEMO**

# Directions

- AEMO can issue directions to any relevant entity, not just those on the Part 27 register.
- Directions can relate to:
  - the operation, maintenance or use of equipment;
  - the control of the flow of natural gas;
  - any other matter that may affect the reliability or adequacy of the supply of natural gas within the east coast gas system.
- Relevant entities are required to comply with a direction, and must notify AEMO immediately where they are unable to comply.
- AEMO must not give a direction in relation to natural gas owned or controlled by a relevant entity that exports natural gas as LNG unless the natural gas is not long-term contract gas within the meaning of guidelines made under regulation 13GF of the Customs (Prohibited Exports) Regulations 1958 of the Commonwealth.

# Directions process

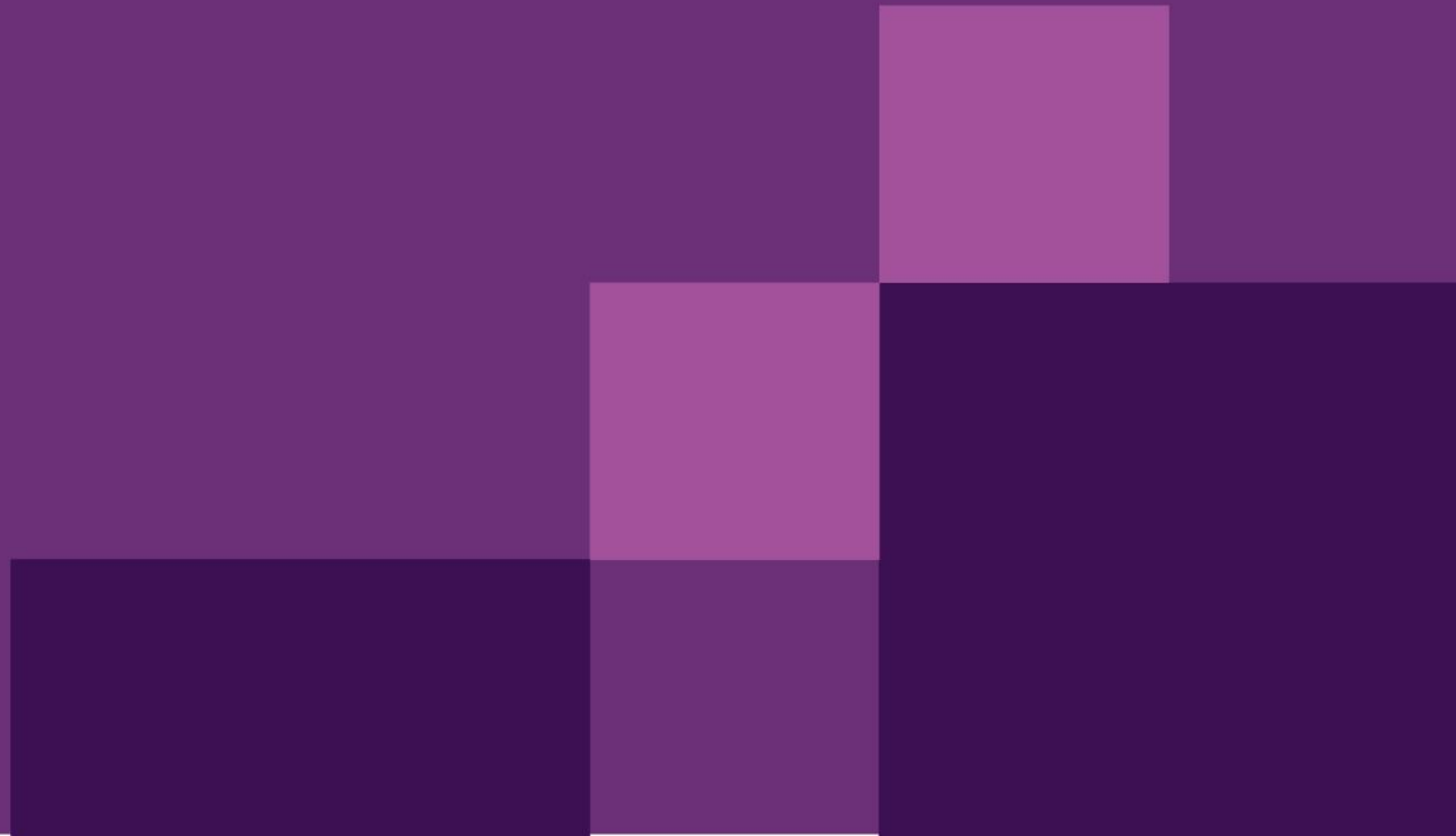


Directions/trading are last resort options available to AEMO

# Directions

- AEMO will consult with a relevant entity before giving a direction to the extent AEMO considers appropriate given the nature, timing or circumstances of giving a proposed direction.
- Directions will be given via email and/or phone call.
- Priority will be given primary directions followed by related directions.

# Trading



# Overview of function (as in NGR)

- The east coast gas framework provides AEMO with a new function to trade in natural gas to the extent required to mitigate or resolve an identified risk or threat.
  - Where supply is inadequate or cannot be relied on to meet demand.
- AEMO's trading function is financed via a specific rules fund (covered in the last presentation).
- AEMO can trade up to \$35 million per financial year.
- When exercising its trading function AEMO must consider:
  - Industry having reasonable time to take action to respond.
  - Not exercising the function unless AEMO considers it necessary to prevent, reduce or mitigation an actual or potential threat.
  - Minimising distortionary impacts on the east coast gas system and consumer costs.



# The options for trading

- AEMO's guidelines identify three different ways that the trade function maybe exercised:
  1. AEMO tendering/procuring services (preferred).
    - AEMO paying industry to provide a needed service to the east coast gas system e.g. for storage/supply at a certain period for a specific location.
  2. AEMO trading in the markets
    - E.g. bids/offers in STTM or DWGM.
  3. AEMO trading/contracting bilaterally
    - AEMO purchasing and transporting or storing gas directly.

# Principles that AEMO will consider

- Preference for procuring services over direct/market trading
- Minimising distortion to the *regulated gas markets*
- Minimise cost (or maximise revenue) to the trading fund as appropriate.
- Whether the market is likely to procure/trade for the same service.
- Tendering or trading will be done transparently and competitively.
- If AEMO directly trades in the markets it will attempt to minimise its activity in those markets.

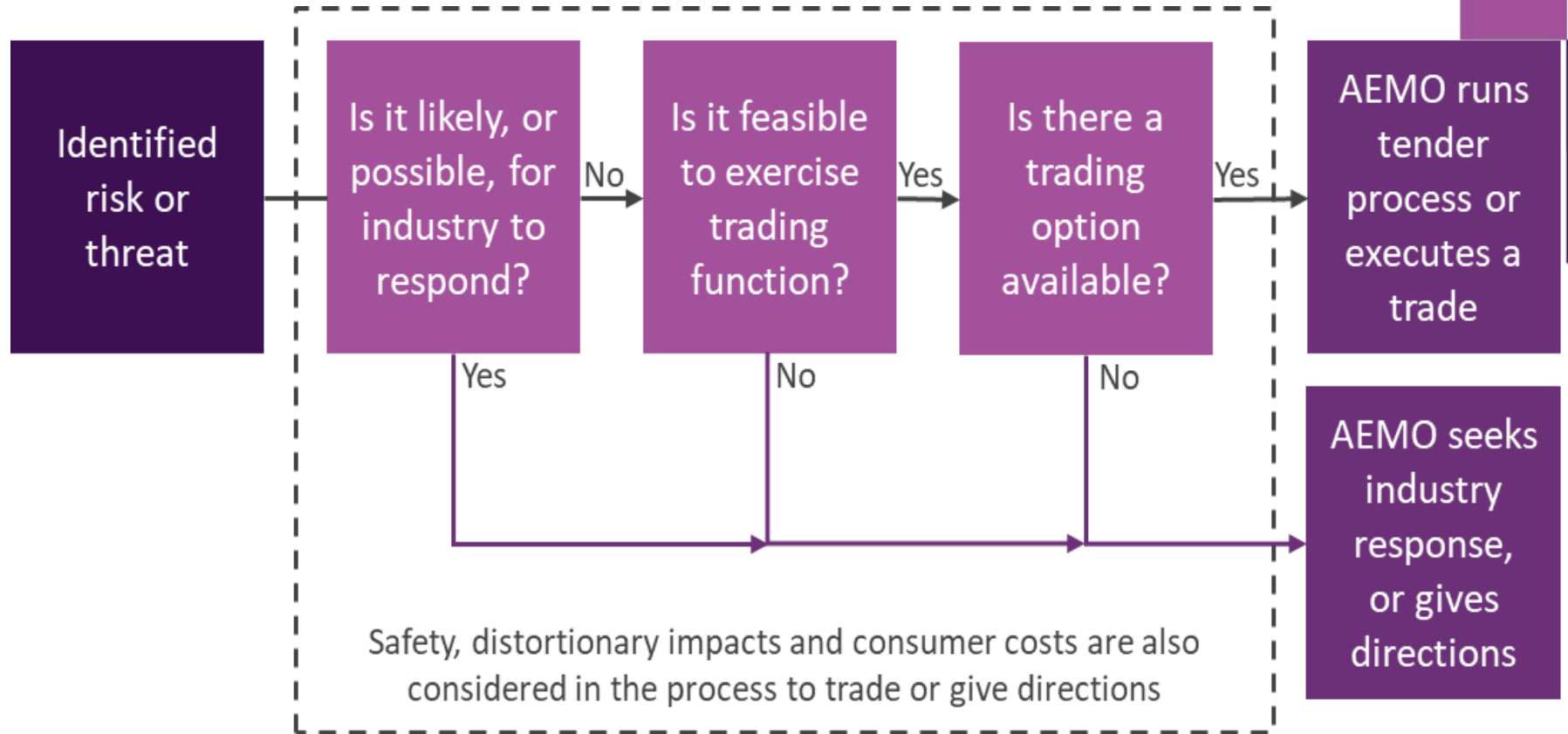
# Returning to the services model (preferred option)

- Where AEMO considers that procuring a service from industry is the preferred method of exercising the *trading function* it will generally follow a request for quote/tender approach.
- A typical request may specify:
  - the quantity of gas to be provided, which may be a variable volume;
  - the gas day or period of gas days the gas is to be delivered; and
  - the location(s) where gas is to be delivered.
- Any *relevant entity* able to meet the terms of the request will be invited to participate.
- Suppliers panel – for recurring threats, or for threats that need quick response AEMO may establish supplier panels. A supplier panel will enable AEMO to undertake an expedited procurement process typically through using pre-approved agreement for a specific service.

# Trading Process

Factors AEMO may take into account when deciding to trade:

- Magnitude and duration of the risk/threat
- Any industry response that has happened or is likely to happen.
- The cost to the trading fund of the various trading options.
- Any other directions, trades or interventions that in effect or likely to occur.
- Any other risks or threats that may require AEMO to exercise its trading function.

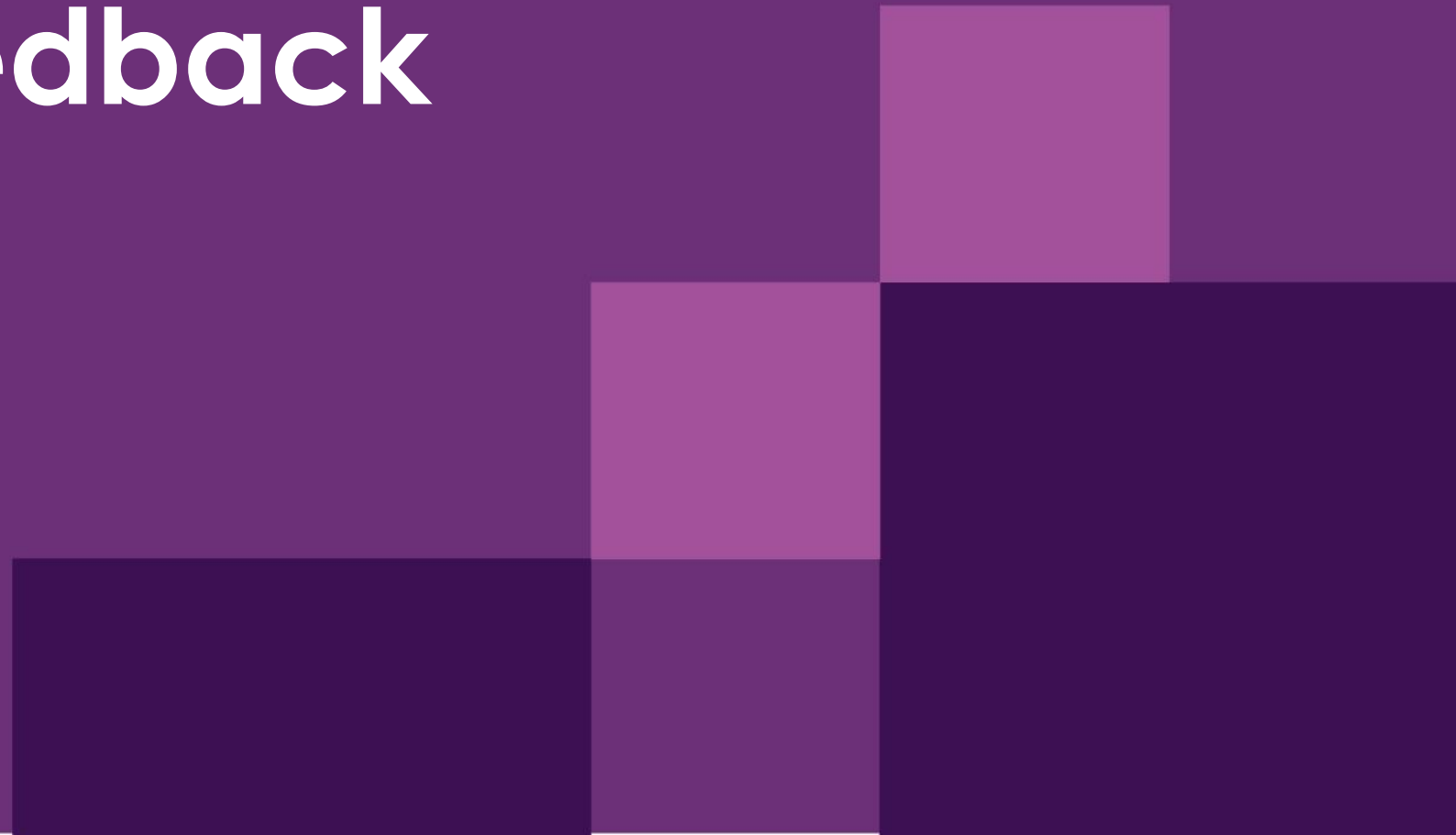


Transparency:

AEMO will be issuing market notices/providing the market with information at each step of the process.

The guidelines cover transparency steps for each trading option

# Industry feedback



# Expected demand reporting

- Potential for 7 day bids and offers forecast to replace demand reporting requirement
  - Require all DWGM/STTM participants to submit bids and offers
- How purchases should be apportioned to each segment of BB large user (i.e. GPG) and Part 27 retailer when participants take aggregated portfolio approach
  - Proportionate breakdown – proportion of total portfolio demand to purchases from 1) a market or trading exchange 2) under GSA

# Linepack reporting

- Frequency of updates to linepack measurement
  - Operational linepack: as soon as practicable when there is change between linepack bounds.
  - Contracted linepack: material change.
  - Linepack bounds: material change.
- Materiality (applies to contracted linepack & green/amber/red bounds)
  - Provide updated info where change exceeds the greater of A and B:
    - (i) A is 5 TJ/d; and
    - (ii) B is the lesser of 10% of the previously submitted corresponding value and 30 TJ/d

# Minimising duplication of data

- ✓ MTCO submission rather than STCO for extended daily capacity outlook reporting.
  - ✓ MTCO submission for medium term maintenance demand.
  - ✓ LNG exports and domestic supply has been split into two reporting items
- 
- X 7 day bids and offers
  - X MT PASA – different data sets, not clear on fuel
  - X NEM predispach – may not give accurate results
  - X Pipeline data – difficult for AEMO to validate full data set



# Direction and Trading Notices

- Preference for AEMO to not identify directed participants in direction notices and parties to AEMO trades in trading notices.
  - AEMO won't identify participants but may after consultation.

# Clarifications

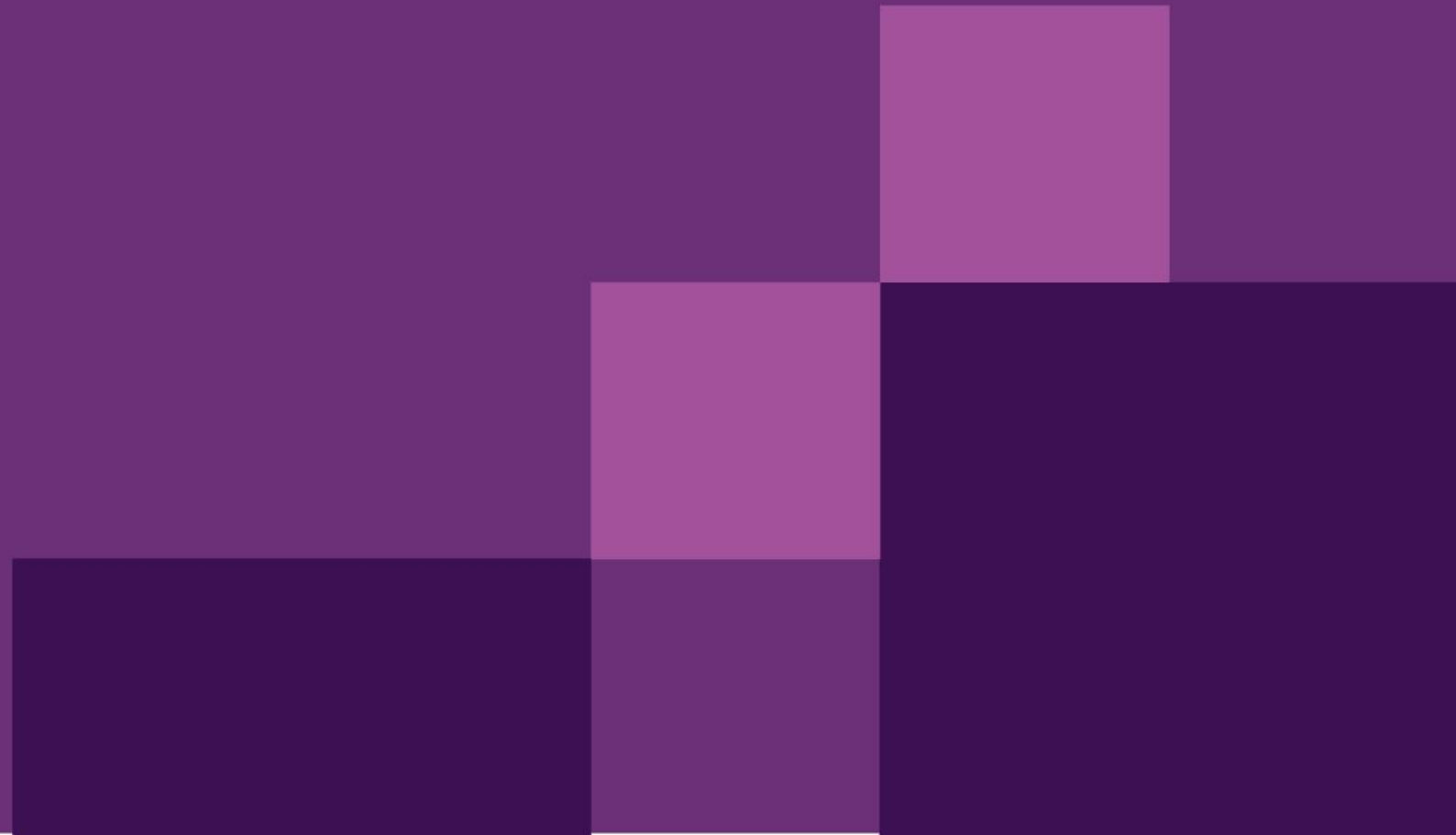
- Disclosure obligations commencement
  - Part 18 commences immediately i.e., extension of medium term capacity outlook and storage submissions
  - Part 27 disclosure obligations likely to commence with Procedures go-live
- A number of submissions noted gaps in the Procedures, this is due to that information being prescribed in the Rules.

# Exemptions

- AEMO may exempt relevant entities from the obligation to provide information in specified circumstances.
- The process for applying for an exemption is provided in the draft Procedures.
- Include details of the exemption that the relevant entity is seeking and the reasons why the relevant entity considers an exemption is warranted
- AEMO may in its discretion grant an exemption where it considers the exemption will not adversely affect its ability to perform its east coast gas system reliability and supply adequacy functions

Exemption applications are to be emailed to [gasreform@aemo.com.au](mailto:gasreform@aemo.com.au)  
(prior to procedures go-live)

# Next steps



# Coming up

- Procedure second round commencing Tuesday
  - Guidelines first round out for feedback now
  - One-on-one discussions
  - Aiming for preproduction to be available in May
  - GWCF – April
- 
- Are there specific areas that industry would like to see more detail?



For more information visit

[aemo.com.au](http://aemo.com.au)