

GAS WHOLESALE CONSULTATIVE FORUM PAPER

FOR NOTING

SUBJECT: GAS SUPPLY GUARANTEE – EXERCISE SILVER REVIEW

AGENDA ITEM: 7

1. PURPOSE

Provide a post exercise review of the Gas Supply Guarantee Exercise Silver and prompt participant to provide input on process improvements to the Gas Supply Guarantee process.

2. BACKGROUND

2.1.1. Background on the Gas Supply Guarantee process

In March 2017, Production Facility Operators and Pipeline Operators made commitments to the Commonwealth Government to make gas available to meet peak demand periods in the National Electricity Market. The Gas Supply Guarantee is a mechanism developed by the gas industry to facilitate the delivery of these commitments.

The current Heads of Agreement¹ and subsequent [Gas Supply Guarantee Guideline](#) expires on 31 March 2020. The National Gas Emergency Response Advisory Committee has been informed of the expiration and has expressed interest in AEMO extending the Guideline for an additional 3 years. This would require a resigning of the existing heads of agreement, or for the process to become part of the National Gas Rules.

This Guideline is a voluntary agreement and has no standing under the National Gas Rules or National Gas Law. The Guideline requires participants to have submitted:

- Confidentiality deeds and participation forms for those participating in the Assessment Conference which includes Production Facility Operators, BB Storage Providers and Pipeline Operators.
- Participant forms for those attending the Industry Conference.

Further information about the Gas Supply Guarantee can be found on AEMO's website [here](#).

2.1.2. Australian East Coast Supply and Demand Balance

In facilitating the Gas Supply Guarantee process, AEMO uses information from the:

- Gas Bulletin Board (pipeline capacity, production capacity data)
- NEM 7 Day Pre-Dispatch
- Any updates from facilities as an event progresses

This information is used to facilitate all actions on the day. As part of the process AEMO requests all assessment conference attendees update their data to ensure the latest available data is available to market participants.

¹ <https://www.minister.industry.gov.au/ministers/canavan/media-releases/new-heads-agreement-secure-gas-supply>

2.2. Exercise Scenario

The scenario sent out prior to the exercise can be seen in Attachment A which includes pre-exercise information about gas flows and the rapid increase in gas demand from Gas Fired Generators on the impacted gas day.

3. Exercise Outcomes

The following discussion is on whether participants consider it valid they could have facilitated the following change in flows in their portfolio for the period gas day D+4.

3.1. East Coast flow changes – a potential solution

A potential gas supply solution was developed as part of the exercise. This solution was created using the following assumptions:

- Participants can purchase or activate existing contractual arrangements to facilitate 213 TJ of gas flows on the SWQP from Queensland by D+4 from the trigger event.
- All other production and gas storage facility injection flows were maximised for the period. Longford Gas Plant flows were limited to 540TJ/d (expected maintenance rate in early March 2020).
- Injections from LNG storage were reserved as a contingency. The AEMO generated solution uses flows from Dandenong LNG on the assumption this is DWGM market price driven injections.
- Flow rates are assumed to be achievable for the purpose of the exercise. A follow up assessment conference (which was not held for the purpose of the exercise) would confirm this. The Gas Bulletin Board would provide updated information on gas flows as participant responded to the event.
- Gas sales are assumed to occur through either the Gas Supply Hub or through bilateral gas supply contracts.
- This solution assumes that Gas Fired Generators are operating on natural gas. However, if any were to run on alternate fuels (fuel oil or diesel) this would reduce the amount of gas required to solve the event.

A solution showing pre and post exercise flows can be seen in Attachment A. This solution is only one of many potential solutions to a gas supply shortfall in eastern Australia. Participants through contract (Gas Sales Agreements, bilateral supply contracts, and Gas Transportation Agreements) and market mechanisms (Gas Supply Hub and Pipeline Capacity Trading) would likely arrive at a different solution for optimising gas supply.

3.2. Exercise Feedback

AEMO sent each participant a Gas Supply Guarantee Feedback form following the exercise. AEMO has received mostly positive feedback from the limited number of responses.

4. Discussion of areas of concern

The following areas for concern were identified by AEMO during the exercise or in discussions with participants.

4.1.1. Detailed gas supply issue and potential solution

A jurisdictional representative made comments during the exercise's Industry Conference that there was an expectation that greater detail would be provided surrounding the gas supply problem. The 7 day pre-dispatch however only provides a NEM wide gas demand

value it was not feasible for confidentiality reasons to share unit specific GPG demand issues with the forum.

In the event of a Gas Supply Guarantee trigger event AEMO would brief NGERAC about conditions separately.

4.1.2. Provision of a shared interface to the teleconference

AEMO believes there would be benefit in being able to share an interface with teleconference participants. AEMO will investigate using the Cisco Webex Meeting interface for future teleconferences.

4.1.3. Exercise Communications and Contact Updates

AEMO found benefit in sending Gas Supply Guarantee exercise email to all registered GSG Assessment Conference contacts and GSG Industry Conference contacts. This email prompted a large number of updates which require new participation forms to be submitted under the Guidelines.

All participants are requested to review their Gas Supply Guarantee contacts as staff change roles within organisations. Those participants active in the STTM (see MIS report INT713) and the DWGM (see MIBB report INT134) can see the contacts in their reports. For participants not in the STTM and DWGM please contact AEMO's Supporthub for a copy of your current GSG contacts.

4.1.4. Voluntary participation

Generator owners who have not signed the participation forms cannot be included in the Gas Supply Guarantee process. As such, the information available in the teleconference will not be shared directly with these parties.

5. RECOMMENDATIONS

That you discuss the areas of concern raised by AEMO or other participants and share your views on the process to inform the future Gas Supply Guarantee Guideline extension and any future Rule changes required to implement this process.

ATTACHMENTS
ATTACHMENT A – GAS SUPPLY GUARANTEE – EXERCISE SILVER – SCENARIO AND SOLUTION