



Australian Energy Market Commission

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## RULE DETERMINATION

### National Gas Amendment (STTM Brisbane Hub) Rule 2011

**Rule Proponent(s)**

Australian Energy Market Operator

**Commissioners**

Pierce  
Henderson  
Spalding

15 September 2011

**JOHN PIERCE**

Chairman

For and on behalf of the Australian Energy Market Commission

RULE  
CHANGE

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## **About the AEMC**

The Council of Australian Governments, through its Ministerial Council on Energy (MCE), established the Australian Energy Market Commission (AEMC) in July 2005. The AEMC has two principal functions. We make and amend the national electricity and gas rules, and we conduct independent reviews of the energy markets for the MCE.

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## Summary

On 4 April 2011, the Australian Energy Market Operator (AEMO) requested that the Australian Energy Market Commission (AEMC or Commission) consider making amendments to the National Gas Rules (NGR or Rules) to address some technical aspects related to the implementation of a short term trading market (STTM) in Brisbane (Rule Change Request).

AEMO stated that these amendments would reduce costs, increase efficiency, maximise competition and reduce barriers to entry when the STTM commences operation at the Brisbane hub.

Under section 305 of the National Gas Law (NGL), the Commission decided to use a 'fast track' process to assess the Rule Change Request, as it considered that AEMO had adequately consulted with the public on the nature and content of the Rule Change Request prior to its submission.

### *Commission's decision*

The Commission has decided to make the *National Gas Amendment (STTM Brisbane Hub) Rule 2011* (Rule as Made). The Rule as Made reflects the Rule proposed by AEMO, with amendments, and comes into effect on 15 September 2011 in preparation for the commencement of the STTM at the Brisbane hub. The STTM is scheduled to commence operation at the Brisbane hub on 1 December 2011<sup>1</sup> or a later date determined by AEMO.<sup>2</sup>

### *Reasons for the Commission's decision*

The Commission has decided to make a Rule reflecting the Rule proposed by AEMO as it considers that the Rule as Made will, or is likely to, contribute to the achievement of the National Gas Objective (NGO).

In particular, the Commission considers that the Rule as Made will, or is likely to, lead to price, reliability and security of supply benefits to consumers of natural gas as it will allow:

- the STTM to commence operation at the Brisbane hub without substantial implementation costs associated with changing the timing of the start of the Brisbane gas day from 8:00am to 6:30am;<sup>3</sup>
- gas users in the Queensland retail gas market to register as Self Contracting Users (SCUs), providing them with the opportunity to contract for gas supply directly with pipeline operators and producers and also allowing them to participate in

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<sup>1</sup> See Queensland Government Gazette No. 55, Page 428.

<sup>2</sup> See Clause 13(2) of Schedule 1 to the Rules.

<sup>3</sup> The current gas day for Brisbane and the Roma to Brisbane Pipeline starts at 8:00am. The current gas day at the other STTM hubs (being Sydney and Adelaide) starts at 6:30am.

the STTM at the Brisbane hub. This may increase competition in the Queensland retail market and the STTM at the Brisbane hub; and

- transmission-connected STTM Users to offer contingency gas services at the STTM at the Brisbane hub, which is likely to enhance the reliability and security of supply of natural gas.

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# 1 AEMO's Rule Change Request

## 1.1 The Rule Change Request

On 4 April 2011, AEMO (Rule Proponent) submitted the Rule Change Request seeking that the Commission make a rule regarding some technical aspects related to the implementation of the STTM at the Brisbane hub.

## 1.2 Rationale for the Rule Change Request

In the Rule Change Request, the Rule Proponent raised the following issues with the current Rules that it sought to resolve:

- distribution-connected end-users are unable to register as SCUs in the Queensland retail gas market, unlike for the New South Wales (NSW), Australian Capital Territory (ACT) and South Australia (SA) retail gas markets. This means that those end-users must contract with retailers to haul gas through distribution networks. It will also prevent these parties from directly participating in the STTM when it commences operation.
- the start of the gas day in Brisbane will change from 8:00am to 6:30am when the STTM commences operation at the Brisbane hub. This would necessitate substantial changes to metering infrastructure and bilateral contracts.<sup>4</sup>
- STTM Users at the Brisbane hub will face higher-than-needed operating costs as they will have to submit separate withdrawal bids for each distribution system they wish to haul gas through to withdraw gas from the hub instead of one combined bid.<sup>5</sup>
- transmission-connected STTM Users at the Brisbane hub will be unable to offer contingency gas services when the STTM commences operation. This may unnecessarily limit the management of system security at times that contingency gas services are called on. This may, in turn, lead to higher-than-necessary costs for Brisbane consumers.<sup>6</sup>
- the STTM will only be able to start operation at the Brisbane hub on the first day of a calendar month. This may impose unnecessary constraints on AEMO about when it can start the STTM, which may increase operating costs. In addition, AEMO is not required to confirm with an STTM Shipper or STTM User their

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<sup>4</sup> All times specified in this determination refer to Australian Eastern Standard Time.

<sup>5</sup> STTM Users have to submit separate withdrawal bids for each distribution system they wish to haul gas through at all hubs. However, in a practical sense this only impacts STTM Users at the Brisbane hub as it will be connected to at least three distribution systems while the Sydney and Adelaide hubs are each only connected to one distribution system.

<sup>6</sup> In this final Rule determination we use the term transmission-connected STTM Users to refer to parties registering as an STTM User under rule 135ABA(1)(b)(ii).

minimum exposure for which they must lodge security prior to the start of the STTM. This may reduce clarity for these parties regarding their prudential obligations.

### **1.3 Solution proposed in the Rule Change Request**

The Rule Proponent proposed to resolve the issues discussed above through a Rule Change Request that sought to:

- introduce a new registrable capacity of SCUs for the Queensland retail gas market;
- change the arrangements for the timing of STTM gas days by:
  - retaining the existing 8:00am start of the Brisbane gas day when the STTM commences operation at that hub;
  - expressing the time period for compliance with STTM gas day obligations for all hubs in terms of offset periods from the start of the gas day at that hub; and
  - obliging the AEMC to undertake a comprehensive review of the timing of the start of the gas day across all STTM hubs no later than five years after the commencement of the Brisbane hub;
- provide for each STTM User to have one trading right for a hub instead of separate trading rights for each of its registered distribution services;
- allow transmission-connected STTM Users to offer and provide contingency gas services at the STTM Brisbane hub on the same basis as other STTM Users; and
- allow the STTM Brisbane hub to commence on a day other than the first day of a month, and requiring AEMO to confirm with STTM Shippers and STTM Users their minimum exposure for which they must lodge security prior to the start of the STTM at Brisbane.

### **1.4 Relevant background**

#### **1.4.1 Consultation with AEMO consultative and working groups**

The Rule Proponent discussed drafts of the Rule it proposed (Proposed Rule) with its relevant consultative and working groups before it publically consulted on an exposure draft of the Proposed Rule (see section 1.4.2). These consultative groups comprised the STTM Consultative Forum (STTM-CF), the Queensland STTM Working Group (Qld STTM-WG) and the Gas Retail Consultative Forum - Queensland

(GRCF-Q).<sup>7</sup> The documents relating to the STTM-CF discussions and the minutes of the relevant STTM-CF meetings are published on AEMO's website.<sup>8</sup>

#### **1.4.2 Public consultation undertaken by AEMO**

On 14 February 2011, AEMO published a consultation paper on the nature and content of the Rule Change Request and invited public submissions by 18 March 2011.<sup>9</sup> This consultation paper included an exposure draft of the Proposed Rule. AEMO also held a public information session in Brisbane on 8 March 2011.

AEMO received no public submissions on its consultation paper. However, AEMO amended the Proposed Rule following its consideration of submissions received during public consultation on changes to the STTM procedures.<sup>10</sup> These amendments did not impact on the substance of the Proposed Rule.

#### **1.5 Commencement of Rule making process**

On 16 June 2011, the Commission published a notice under section 303 of the NGL advising of its intention to commence the Rule making process in respect of the Rule Change Request.

The Commission decided to 'fast track' the Rule Change Request under section 305(2)(a) of the NGL and, accordingly, there was no first round of consultation. The Commission decided to use the 'fast track' process as it considered that AEMO had already adequately consulted with the public on the nature and content of the Rule Change Request.

#### **1.6 Publication of draft Rule determination and draft Rule**

On 23 June 2011, the Commission published a notice under section 308 of the NGL and a draft Rule determination in relation to the Rule Change Request (Draft Rule Determination). The Draft Rule Determination included the publication of a draft Rule.

Submissions on the Draft Rule Determination closed on 4 August 2011. The Commission received one submission, from AEMO, which is available on the AEMC

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<sup>7</sup> The STTM-CF is an open forum consisting of representatives of AEMO, registered participants, STTM network and pipeline owners or operators, end-user groups, interested members of the public and AEMO representatives. The Qld STTM-WG is a subgroup of the STTM-CF comprising representatives of those parties interested in the development of the Brisbane hub. The GRCF-Q is an open forum consisting of registered participants, end-user groups, interested members of the public and AEMO representatives.

<sup>8</sup> The relevant STTM-CF meetings were held on 6 December 2010, 18 January 2011 and 31 January 2011. See [www.aemo.com.au](http://www.aemo.com.au).

<sup>9</sup> AEMO, *STTM Rule Change Proposal - Consultation Paper*, 14 February 2011. See [www.aemo.com.au](http://www.aemo.com.au).

<sup>10</sup> The STTM procedures are subordinate legislation to NGL. They are technical and administrative in nature. The change process for these procedures is managed by AEMO.

website.<sup>11</sup> A summary of the issues raised in this submission, and the Commission's response to each issue, is contained in Appendix A of this determination.

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11 [www.aemc.gov.au](http://www.aemc.gov.au)

## **2 Final Rule Determination**

### **2.1 Commission's determination**

In accordance with section 311 of the NGL, the Commission has made this final Rule determination in relation to the Rule Change Request. In accordance with section 313 of the NGL, the Commission has decided to make, with amendments, the Rule proposed by the Rule Proponent.

The Commission's reasons for making this final Rule determination are set out in section 3.1 of this determination.

The *National Gas Amendment (STTM Brisbane Hub) Rule 2011* is published with this final Rule determination. The Rule as Made comes into effect on 15 September 2011 in preparation for the commencement of the STTM at the Brisbane hub.<sup>12</sup> The Rule as Made differs from the draft Rule in minor respects which are described in section 3.2.

### **2.2 Commission's considerations**

In assessing the Rule Change Request, the Commission considered:

- the Commission's powers under the NGL to make the Rule;
- the Rule Change Request;
- the fact that there is no relevant Ministerial Council on Energy (MCE) Statement of Policy Principles;<sup>13</sup>
- submissions received during public consultation; and
- the Commission's analysis as to the ways in which the Proposed Rule will, or is likely to, contribute to the achievement of the NGO.

### **2.3 Commission's power to make the Rule**

The Commission is satisfied that the Rule as Made falls within the subject matter about which the Commission may make Rules.<sup>14</sup> The Rule as Made falls within section 74 of

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<sup>12</sup> As published in the Queensland Government Gazette No. 55, the STTM Brisbane hub is scheduled to commence on 1 December 2011 (or a later date determined by AEMO pursuant to clause 13(2) of Schedule 1 to the Rules). While the Rule as Made commences on the date it is made, the effect of clause 29 of the Transitional Provisions in Schedule 1 to the Rules is such that, except in respect of specific obligations identified in clause 29(3) of the Transitional Provisions, the commencement date for the Brisbane hub is the first gas day in respect of which an obligation under Part 20 of the Rules applies in respect of the Brisbane hub.

<sup>13</sup> Under section 73 of the NGL, the AEMC must have regard to any relevant MCE statement of policy principles in making a Rule.

the NGL as it relates to AEMO's STTM functions and the operation of a STTM of an adoptive jurisdiction.<sup>15</sup> Further, the Rule as Made falls within the matters set out in Schedule 1 to the NGL as it relates to:

- clause 55B because it regulates the operation and administration of a regulated gas market; and
- clause 55C because it regulates the declared system functions or STTM functions.<sup>16</sup>

## 2.4 Rule making test

Under section 291(1) of the NGL, the Commission may only make a Rule if it is satisfied that the Rule will, or is likely to, contribute to the achievement of the NGO. This is the decision-making framework that the Commission must apply.

The NGO, as set out in section 23 of the NGL, is to:

promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.

Under section 291(2) of the NGL, for the purposes of section 291(1) of the NGL the AEMC may give such weight to any aspect of the NGO as it considers appropriate in all the circumstances, having regard to any relevant MCE statement of policy principles.<sup>17</sup>

For the Rule Change Request, the Commission considers that the relevant aspect of the NGO is the efficient operation and use of natural gas services for the long term interests of consumers of natural gas with respect to price, reliability and security of supply.

The Commission is satisfied that the Rule as Made will, or is likely to, contribute to the achievement of the NGO because it is likely to promote efficient investment in, and efficient operation and use of, natural gas services resulting in price, reliability and security of supply benefits in the long term interests of consumers of natural gas. In particular, the Rule as Made:

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14 The Rule as Made does not apply in Western Australia as it does not fall within the subject matters about which the Commission may make Rules under the Western Australian application act (the *National Gas Access (WA) Act 2009*).

15 Queensland became an adoptive jurisdiction on 19 May 2011 following Royal Assent to the *Gas Security Amendment Act 2011* (Qld).

16 The STTM functions are stated in section 91BRB of the NGL.

17 For the Commission's consideration of the Rule Change Request, there is no relevant MCE Statement of Policy Principles.

- will allow the STTM to commence operation at the Brisbane hub without substantial implementation costs associated with changing the timing of the start of the Brisbane gas day from 8:00am to 6:30am;
- will allow gas users in the Queensland retail gas market to register as SCUs, providing them with the opportunity to contract for gas supply directly with pipeline operators and producers and also allowing them to participate in the STTM at the Brisbane hub. This may increase competition in the Queensland retail market and the STTM at the Brisbane hub; and
- will allow transmission-connected STTM Users to offer contingency gas services at the STTM at the Brisbane hub, enhancing the reliability and security of supply of natural gas.

See Chapter 3 for further discussion about how the Rule as Made will, or is likely to, contribute to the achievement of the NGO.

## **2.5 Other requirements under the NGL**

### **2.5.1 Section 295(4) of the NGL**

Under section 295(4) of the NGL, the Commission may only make a Rule that has effect with respect to an adoptive jurisdiction if it is satisfied that the Rule as Made is compatible with the proper performance of AEMO's declared system functions.<sup>18</sup>

The Rule as Made will not impact on AEMO's declared system functions as it only amends the registrable capacities for the Queensland retail gas market and the regulation of STTMs.

### **2.5.2 Section 295(5) of the NGL**

Under section 295(5) of the NGL, the Commission may only make a Rule that affects the allocation of powers, functions and duties between AEMO and a service provider for a declared transmission system if AEMO consents to the making of the Rule or the Rule is requested by the Minister of the relevant adoptive jurisdiction.<sup>19</sup>

In relation to this Rule Change Request, there is no requirement under section 295(5) of the NGL for AEMO to consent to the Commission making this Rule. This is because the Rule as Made does not affect the allocation of powers, functions and duties between AEMO and a service provider for a declared transmission system.

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<sup>18</sup> AEMO's declared system functions are specified in section 91BA of the NGL.

<sup>19</sup> The declared transmission system is the set of transmission pipelines for the declared wholesale gas market in Victoria

## 2.6 Participating Jurisdictions

The Rule as Made will not apply in Western Australia.<sup>20</sup> The Rule as Made amends:

- rule 135AB as it relates to registrable capacities in the retail gas markets of Queensland; and
- Part 20 of the Rules as it relates to the STTM.

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<sup>20</sup> Under section 21 of the NGL, the participating jurisdictions are the States, the Commonwealth, the Australian Capital Territory and the Northern Territory. The Rule as Made does not apply in Western Australia as it does not fall within the subject matters about which the Commission may make Rules under the *National Gas Access (WA) Act 2009*.

### **3 Commission's reasons**

The Commission has analysed and assessed the issues arising out of this Rule Change Request. For the reasons set out below, the Commission has determined that a Rule should be made. Its analysis of the Rule proposed by the Rule Proponent is also set out below.

#### **3.1 Assessment of issues**

In submitting the Rule Change Request, AEMO sought to:

- permit SCUs to participate in the Queensland retail gas market;
- provide for a different gas day for the Brisbane STTM hub than for existing STTM hubs at Sydney and Adelaide;
- provide for an STTM User at a hub to have one trading right for that hub notwithstanding that there may be multiple distribution systems at that hub;
- permit transmission-connected STTM Users to participate in providing contingency gas services; and
- make technical amendments to the transitional provisions.

In the Rule Change Request, AEMO stated that the proposed changes would reduce costs, increase efficiency, maximise competition and reduce barriers to entry when the STTM commences at the Brisbane hub.

After analysing the issues arising from the Rule Change Request, the Commission is satisfied that the Rule as Made will, or is likely to, contribute to the achievement of the NGO as it is likely to result in price, reliability of supply and security of supply benefits in the long term interest of consumers of natural gas.

The current arrangements relevant to the Rule Change Request and the issues considered by the Commission in making this final Rule determination are set out below.

##### **3.1.1 Current arrangements**

The counterfactual for the Commission's assessment of this Rule Change Request is the current arrangements under the Rules as they relate to the STTM Brisbane hub and the Queensland retail gas market. These arrangements include the STTM commencing operation at the Brisbane hub on or after the date specified in the Queensland Government Gazette<sup>21</sup> or a later date determined by AEMO.<sup>22</sup>

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<sup>21</sup> See Queensland Government Gazette No. 55, page 428.

<sup>22</sup> See clause 13(2) of Schedule 1 to the Rules.

## **Commencement of STTM at the Brisbane hub**

In accordance with clause 13, Schedule 1 to the Rules, the STTM is due to commence operation at the Brisbane hub on 1 December 2011, as specified in the Queensland Government Gazette. Alternatively, it will commence on a later date as determined by AEMO.<sup>23</sup> Under rule 372A, the Brisbane hub comprises the custody transfer points on the Roma to Brisbane Pipeline specified in AEMO's *STTM Procedures* v. 5.1.<sup>24</sup>

## **Timing for the STTM gas day at the Brisbane hub**

Under the existing Rules, the STTM gas day at the Brisbane hub would begin at 6:30am which is the same time as at other STTM hubs.<sup>25</sup> The current gas day for Brisbane and the Roma to Brisbane pipeline starts at 8:00am.<sup>26</sup>

## **Contingency gas services**

Contingency gas is a market mechanism within the STTM to help ensure the security of supply. Under this mechanism, the supply of gas to a hub, and withdrawals of gas from a hub, may be varied to prevent involuntary load curtailment.

STTM Shippers and STTM Users (other than transmission-connected STTM Users) can submit offers to the contingency gas market:

- STTM Shippers can submit an offer to increase or decrease the quantity of natural gas they supply to the Brisbane hub; and
- STTM Users can submit offers to decrease the quantity of natural gas they withdraw from the hub.<sup>27</sup>

While STTM Users can submit offers to provide contingency gas services, transmission-connected STTM Users are unable to provide contingency gas services at the Brisbane hub. This is because they are not considered to be connected to an STTM distribution system for the purpose of contingency gas due to an exclusion in rule 372A(3).

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<sup>23</sup> See Queensland Government Gazette No. 55, Page 428.

<sup>24</sup> See [www.aemo.com.au](http://www.aemo.com.au).

<sup>25</sup> See rules 364 and 366.

<sup>26</sup> AEMO, *Retail Market Procedures (Queensland)* v. 3.0, p. 7. See [www.aemo.com.au](http://www.aemo.com.au).

<sup>27</sup> See rules 435(1) and 435(2).

## **Registrable capacities in the Queensland retail gas market**

Rule 135AB specifies the registrable capacities for participants in the NSW, ACT, SA and Queensland retail gas markets:

- NSW and ACT:
  - network operator;
  - user; and
  - self contracting user.
  
- SA:
  - network operator;
  - network operator (Mildura region);
  - user;
  - self contracting user;
  - transmission system operator;
  - swing service provider; and
  - shipper.
  
- Queensland:
  - distributor; and
  - retailer.

## **Trading rights for STTM Users**

The Rules currently provide for each STTM User to have separate trading rights at a hub in respect of each distribution service they register with AEMO for that hub. This means that an STTM User will have to make separate bids to AEMO to withdraw gas from a hub in respect of each of its registered distribution services at that hub.

Under these arrangements, an STTM User at the Sydney or Adelaide hub only has to submit one withdrawal bid in respect of that hub, as each of those hubs is connected to only one distribution system. However, in regards to the Brisbane hub, an STTM User may be required to submit multiple withdrawal bids under the existing Rules as there will be more than one distribution system connected to the Brisbane hub.

### 3.1.2 AEMO's Proposed Rule

AEMO proposed a Rule that sought to:

- introduce a new registrable capacity of SCUs for the Queensland retail gas market. This would have the additional consequence of allowing SCUs to participate as an STTM User in the STTM at the Brisbane hub;
- change the arrangements for the timing of STTM gas days by:
  - retaining the existing 8:00am start of the Brisbane gas day when the STTM commences operation at that hub;
  - expressing the time period for compliance with STTM gas day obligations for all hubs in terms of offset periods from the start of the gas day at that hub; and
  - obliging the AEMC to undertake a comprehensive review of the timing of the start of the gas day across all STTM hubs no later than five years after the commencement of the Brisbane hub;
- provide for each STTM User to have one trading right for a hub instead of separate trading rights for each of its registered distribution services;
- allow transmission-connected STTM Users to offer and provide contingency gas services at the STTM Brisbane hub on the same basis as other STTM Users; and
- allow the STTM Brisbane hub to commence on a day other than the first day of a month, and requiring AEMO to confirm with a trading participant their minimum exposure for which they must lodge security prior to the start of the STTM at Brisbane.

### 3.1.3 Impact and assessment of Proposed Rule

This section summarises the Commission's assessment of the impact of the Proposed Rule. These matters are discussed in more detail in Chapters 5 to 7.

#### Impact on prices

The Proposed Rule is likely to result in price benefits as:

- it may allow the STTM to commence operating at the Brisbane hub without imposing costs associated with implementing a new timing for the start of the gas day at that hub;
- it may reduce the operational costs for gas users in the Queensland retail market and increase competition in the STTM at the Brisbane hub;

- it would improve regulatory clarity for STTM Users at hubs at which there are multiple distribution systems; and
- it is likely to promote competition in the market for contingency gas services at the Brisbane hub and may result in the more efficient use of natural gas services.

In the Draft Rule Determination, the Commission noted that there may be a potential for inefficient market outcomes to arise from having different gas day timings across a physically interconnected gas system. The Commission requested submissions on whether having different gas day timings across STTM hubs would be likely to result in materially inefficient market outcomes. In its submission, AEMO noted that it did not consider that different gas day timings across STTM hubs would result in materially inefficient market outcomes. This matter is discussed in more detail in section 5.2 of this determination.

Also in relation to the timing of the gas day in the STTM, the Commission has decided not to include in the Rule as Made, an amending Rule that would require the AEMC to undertake a review of the timing of gas days across all STTM hubs. This is because there are already established processes, provided for within the NGL, under which such a review can be undertaken if required.<sup>28</sup> The existing provisions within the NGL allow for flexibility in the nature and content of any such review if undertaken, including that such a review may consider the timing of gas days more broadly than just the STTM hubs. This flexibility may be limited by including an amending rule in the NGR to require the AEMC to conduct a review of the timing of gas days across all STTM hubs.

### **Impact on reliability and security of supply**

The Proposed Rule is likely to promote the security and reliability of supply of natural gas to consumers at the Brisbane hub. This is because it would allow transmission-connected STTM Users to offer contingency gas services, increasing the number of parties that could offer those services and the quantity of gas that may be offered into the contingency gas services market.

### **Transitional Rule provisions**

The Proposed Rule is likely to provide greater clarity to STTM trading participants about their prudential obligations. It may also reduce operational costs for AEMO and others that could result from any unnecessary delay to the start of the STTM by removing a potential impediment to the STTM starting at the Brisbane hub on a day other than the first day of a calendar month.

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<sup>28</sup> See section 79(1)(a) which provides for the MCE to direct the AEMC to review any matter relating to a market for gas. See section 83 which provides for the AEMC to conduct a review into the operation and effectiveness of the Rules or any matter relating to the Rules.

### **3.1.4 Commission's conclusion**

On balance, the Commission is satisfied that the Rule as Made will, or is likely to, contribute to the achievement of the NGO. This is because it is likely to promote efficient investment in, and efficient operation and use of, natural gas services resulting in price, reliability and security of supply benefits in the long term interests of consumers of natural gas.

### **3.2 Rule as Made**

In line with the draft Rule, the Rule as Made is the same as the Proposed Rule except for the following amendments:

- the Rule as Made does not require the AEMC to undertake a review of the timings of gas days across all STTM hubs;
- the Rule as Made details amendments to an STTM User's existing trading right at a hub if it registers an additional distribution service in respect of that hub;
- the Rule as Made specifies how AEMO is to vary an STTM User's trading right if one of the STTM User's registered distribution services expires; and
- minor drafting changes for purposes of clarification.

The Rule as Made differs in only minor respects from the draft Rule for purposes of clarification. These changes are:

- the Rule as Made contains a further change to the definition of 'modified market schedule quantity' in rule 364; and
- the Rule as Made contains a further change to the definition of 'distribution contract' in rule 364.

### **3.3 Civil penalty provisions**

The Rule as Made amends rule 135AB and several rules within Part 20 and the transitional provisions in Schedule 1 of the Rules. Appendix B identifies those rules that are civil penalty provisions and notes how they have been amended by the Rule as Made.

The Commission will not recommend to the MCE that the existing classification of rules as civil penalty provisions be changed or that rules not currently prescribed as civil penalty provisions be prescribed as such.

### 3.4 Conduct provisions

Conduct provisions are Rules or provisions of the NGL for which any person (including the Australian Energy Regulator (AER)) may institute civil proceedings in respect of a breach.<sup>29</sup> A person (other than the AER) who suffers loss or damage by conduct of another person in breach of a conduct provision may recover their loss or damage by action against the other person in a court.<sup>30</sup>

The Rule as Made amends one conduct provision - rule 488(10). Appendix B specifies how rule 488(10) has been amended by the Rule as Made.<sup>31</sup>

The Commission will not recommend to the MCE that the existing classification of rules as conduct provisions be changed or that rules not currently prescribed as conduct provisions be prescribed as such.

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29 Under section 229(3) of the NGL.

30 Under section 233 of the NGL.

31 The conduct provisions are prescribed in the *National Gas (Victoria) (Declared System Provisions) Regulations 2009* and the *National Gas (South Australia) Regulations*.

## 4 Commission's assessment approach

This chapter describes the Commission's approach to assessing the Rule Change Request in accordance with the requirements set out in the NGL (and explained in Chapter 2).

In assessing any Rule Change Request against the NGL criteria, the first step is to consider the counterfactual arrangements against which the Rule change is being compared. In the present case, the counterfactual arrangements are the STTM commencing operation at the Brisbane hub on or after a date specified in the Queensland Government Gazette under the existing Rules, with relevant aspects of the Rules laid out in Chapter 3.

In assessing this Rule Change Request, the Commission considered the likely impact of the Proposed Rule on:

- the costs associated with the commencement of the STTM at the Brisbane hub;
- the reliability and security of supply of natural gas at the Brisbane hub;
- the level of competition in the Queensland retail gas market and in the STTM at the Brisbane hub; and
- the level of regulatory clarity for STTM Users and other parties.

The Commission focussed on this set of issues because:

- the Rule Proponent claimed that the Proposed Rule would enable the STTM to commence operation at the Brisbane hub without substantial costs being incurred associated with parties changing metering infrastructure and bilateral contractual arrangements across Queensland for a 6:30am start to the gas day;
- the Rule Proponent claimed that the Proposed Rule could enhance the reliability and security of supply of natural gas at the Brisbane hub;
- it considers the Proposed Rule could enhance the level of competition in the Queensland retail gas market and in the STTM at the Brisbane hub; and
- it considers the Proposed Rule will improve regulatory clarity:
  - for STTM Users, in relation to their trading rights associated with hauling gas through multiple STTM distribution systems connected to the Brisbane hub; and
  - associated with the commencement of the STTM at the Brisbane hub.

The Commission has also:

- reviewed the public consultation the Rule Proponent conducted on an exposure draft of the Proposed Rule and the development of the Proposed Rule through its consultation forums; and
- held bilateral discussions with AEMO (as Rule Proponent and STTM market operator) to clarify the Rule Change Request.

Once the counterfactual scenario has been defined, the Commission then considered whether the Proposed Rule will, or is likely to, contribute to the achievement of the NGO (see section 2.4 of this determination). In this instance, the Commission has had particular consideration of the impact of the Proposed Rule on:

- the price of natural gas services for consumers; and
- the reliability and security of supply of natural gas for consumers.

## 5 Price impacts

The STTM is scheduled to commence operation at the Brisbane hub on 1 December 2011 or a later date as determined and published by AEMO.<sup>32</sup> The implementation of a STTM in Brisbane will impose costs on AEMO and other parties including STTM Shippers and Users, transmission and distribution pipeline operators.

Reducing the cost of implementing the STTM at the Brisbane hub, and reducing operating costs for STTM participants and others, may, through competitive market processes, result in lower prices for end-use consumers of natural gas.

### 5.1 Rule Proponent's view

The Rule Proponent has stated that:

- in relation to issues around the timing of gas days:
  - providing for an 8:00am start to the Brisbane gas day would allow the implementation of the Brisbane hub to commence on time without substantial, non-critical costs being incurred and unnecessary implementation risks being introduced;<sup>33</sup>
  - there is a desired longer-term objective of having closer alignments of operational timings through the gas day and across STTM hubs, related gas markets and more broadly in the gas sector;<sup>34</sup>
  - requiring a review of the timing of the start of the gas day across all hubs will ensure that the long terms benefits of aligning the gas day across the entire supply chain and across different jurisdictions would be appropriately assessed, with clarity provided on the potential for future alignment; and
  - changing the way in which the timing of gas day activities is expressed in the Rules by using an offset from the time when the gas day starts would accommodate different timings, improving clarity and reducing complexity in the Rules.
- adding a registration category of SCU for the Queensland retail gas market would:
  - enhance the efficient operation of retail gas markets through consistent application of participation rights; and

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<sup>32</sup> See Queensland Government Gazette No. 55, Page 428.

<sup>33</sup> AEMO, Rule Change Request, Attachment A, p. 15.

<sup>34</sup> AEMO, Rule Change Request, Attachment A, p. 14.

- facilitate competition in retail and wholesale gas markets, reducing costs and improving market efficiencies.
- providing for STTM Users to have one trading right per hub would:
  - reduce costs by allowing STTM Users to submit a single set of bids for each hub; and
  - provide for consistent regulatory arrangements supporting trading at all hubs.
- allowing transmission-connected STTM Users to offer contingency gas services would:
  - increase competition and liquidity in the contingency gas market; and
  - enhance the efficient operation of gas services.

## **5.2 Stakeholder views**

In its submission on the Draft Rule Determination, AEMO noted that it does not believe that having different gas day timings across the STTM hubs would give rise to materially inefficient market outcomes. This is because while all STTM hubs are governed by the same Rules, they operate as physically and commercially separate hubs. Furthermore, AEMO noted that the Rule as Made will align the gas day timings at the Brisbane hub with existing arrangements along the gas supply chain in Queensland. This approach would be consistent with the arrangements that are in place for the STTM at the Sydney and Adelaide hubs.

## **5.3 Commission's analysis**

The Commission considers that there are a number of aspects of the Rule Change Request which may have price impacts. These are:

- providing for the STTM gas day at the Brisbane hub to start at 8:00am each day;
- introducing a new registrable capacity of SCU in the Queensland retail gas market;
- providing for each STTM User at a hub to have a single trading right at the hub; and
- allowing transmission-connected STTM Users at the Brisbane hub to submit offers to provide contingency gas services at that hub.

The Commission's assessment of the impact of these aspects is discussed in turn below.

### 5.3.1 Timing of the start of the gas day at the Brisbane hub

#### *Current arrangements*

Under the existing Rules, the gas day for the STTM at the Brisbane hub will start at 6:30am. Under the current arrangements, the Brisbane gas day starts at 8:00am. That is, not to adopt the 6:30am start of the existing hubs at Sydney and Adelaide. The Sydney, Adelaide and Brisbane hubs are interconnected through transmission pipelines. They are also interconnected with the Victorian declared transmission system and the Tasmanian gas system.

#### *Analysis - timing of the start of the Brisbane gas day*

The Proposed Rule seeks to retain the existing 8:00am timing of the start of the Brisbane gas day when the STTM commences operation at that hub. It also seeks to retain the existing relative timings for all STTM gas day activities at Brisbane.

The Commission considers that there may be benefits for AEMO and STTM participants, including reduced operating costs, from having consistent timings for STTM gas days across all hubs.

Notwithstanding the likely benefits of greater consistency, the costs of implementing a 6:30am start to the Brisbane gas day are likely to be substantial. These costs would include the upgrading or replacing metering and information technology (IT) systems, renegotiating contracts, and the disruption and uncertainty caused by delaying the start of the STTM at the Brisbane hub. AEMO estimated the cost to industry of upgrading and/or replacing metering infrastructure to be potentially in excess of \$5 million.<sup>35</sup>

In its Draft Rule Determination, the Commission requested submissions on whether having different gas day timings across STTM hubs would be likely to give rise to materially inefficient market outcomes. In its submission, AEMO noted that it did not consider that different gas day timings across STTM hubs would result in materially inefficient market outcomes. As outlined in section 5.2, AEMO stated that this is because while STTM hubs are governed by the same Rules, the hubs operate as physically and commercially separate hubs. Furthermore, AEMO noted that the Rule as Made will align the gas day timings at the Brisbane hub with existing arrangements along the gas supply chain in Queensland. This approach would be consistent with the arrangements that are in place for the STTM at the Sydney and Adelaide hubs.

#### *Analysis - proposed AEMC review of gas day timings across STTMs*

The Rule Proponent proposed that the Rules be amended to require the AEMC to complete a review of the time at which the gas day begins at all STTM hubs by five years after the start of the STTM at the Brisbane hub.

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<sup>35</sup> AEMO, Rule Change Request, Attachment A, p. 16.

However, including a requirement to carry out a review in the Rules is only one mechanism for commencing a review. Under section 83 of the NGL, the AEMC may conduct a review into the operation and effectiveness of the Rules or any matter relating to the Rules. Under this provision, the AEMC has the power to conduct a review of the time at which the gas day begins at one or more STTM hubs at any time.

While the AEMC's power to initiate a review is limited to the operation and effectiveness of the Rules or any matter relating to the Rules, the MCE has the power to direct the AEMC to conduct a review into any matter relating to a market for gas.<sup>36</sup> Therefore, at any time the MCE could request the AEMC to conduct a review on the timing of gas days throughout the entire gas supply chain or any part of the supply chain across one or more markets.

The Commission considers there may be value in a future review being undertaken on the timings of gas days across all STTM hubs. This is because there may be benefits from having consistent arrangements across the STTMs. Such a review would be likely to be of interest to a wide range of parties in the gas supply chain as its recommendations are likely to have upstream and downstream impacts. In determining the scope of the review, consideration may also be given to whether the timing of STTM gas days should be consistent with gas days in other wholesale gas markets such as the Victorian Declared Wholesale Gas Market.

However, the Commission has decided against including a requirement in the Rule as Made that the AEMC undertake a review. This is because, as noted above, there are established processes under the NGL under which a review could be initiated. Imposing a requirement through the Rule as Made could reduce the flexibility in how and when such a review is conducted.

#### *Analysis - expressing gas day activities as an offset from the start of the gas day*

The Proposed Rule seeks to express the timeframes for gas day activities to be undertaken as an offset period from the start of the gas day instead of specific times during the day. This is likely to reduce the complexity of the Rules and enhance regulatory clarity as the timing of the Brisbane gas day will be different to the timing of the gas day at the Sydney and Adelaide hubs.

#### *Conclusion*

Allowing the STTM at the Brisbane hub to commence operation while retaining the existing timing for the start of the Brisbane gas day would be likely to result in price benefits for consumers. The STTM could commence operation without imposing the significant costs of changing metering infrastructure, IT systems and renegotiating contracts. It would also avoid the cost of uncertainty in delaying the start of the STTM at the Brisbane hub. In addition, the expected competitive benefits would appear sooner.

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<sup>36</sup> See section 79(1)(a) of the NGL.

The Commission also considers that inefficient market outcomes are unlikely to arise from having different gas day timings across the interconnected gas system as the STTM hubs operate as physically and commercially separate hubs.

### 5.3.2 Registrable capacities in the Queensland retail gas market

#### *Current arrangements*

Under the current arrangements, parties must register as a retailer or distributor to participate in the Queensland retail gas market.<sup>37</sup> A consequence of this is that those end-users must contract with retailers to supply gas to the point of consumption. They are unable to contract directly with producers and pipelines to supply gas.

The Rules provide for a registrable capacity of SCU in the retail gas markets of NSW, the ACT and SA.<sup>38</sup> As at 10 June 2011, there were nine parties registered as SCUs in the NSW retail gas market and one party registered as an SCU in the South Australian retail gas market.

The current arrangements will also preclude distribution-connected gas users at the Brisbane hub from directly participating in the STTM. This is because only parties participating in the Queensland retail gas market as an SCU or retailer will be able to be the financially responsible person in respect of a distribution supply point and withdraw gas at such a point.<sup>39</sup> Creating a new registration category of SCU for the Queensland retail gas market in the Rules will then allow those parties to participate in the STTM at the Brisbane hub by registering as an STTM User under rule 135ABA(1)(b)(I).

#### *Analysis*

The Proposed Rule would allow distribution-connected end-users to register as SCUs in the Queensland retail gas market and therefore permit them to participate directly in the Queensland retail gas market.

This would provide gas users with the choice of contracting supply with pipelines and producers or with retailers.<sup>40</sup> This greater range of supply options may provide these users with the opportunity to reduce their operating costs. More supply options may also provide greater discipline on Queensland retailers to offer competitive products to large gas users. The Commission recognises that, in practice, large gas users would be more likely to register as SCUs than small gas users.

In addition, it would allow gas users at the Brisbane hub to participate directly in the STTM. This may result in an increased level of competition in the STTM, which would

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<sup>37</sup> See rule 135AB(2).

<sup>38</sup> See rules 135AB(1) and 135AB(3).

<sup>39</sup> AEMO, *Retail Market Procedures (Queensland)*, v. 5.0. See [www.aemo.com.au](http://www.aemo.com.au).

<sup>40</sup> The Commission recognises that, in practice, large gas users would be more likely to register as SCUs than small gas users.

have potential to result in lower prices in the STTM and may ultimately lower costs for end-use consumers of natural gas.

#### *Conclusion*

The Rule as Made allows for the registrable capacity of SCU for the Queensland retail gas market, which may reduce the operational costs for gas users in that market. It may also increase competition in the Queensland retail gas market and in the STTM at the Brisbane hub. These changes may flow through to reduced costs for end-use consumers of natural gas.

### **5.3.3 Multiple distribution systems**

#### *Current arrangements*

Under the existing Rules, the definition of trading right provides that an STTM User will have a trading right for each distribution service it registers with AEMO. This is because the current Rules do not consider that a hub can consist of custody transfer points on multiple distribution systems.

The Sydney and Adelaide hubs both comprise custody transfer points on only one distribution system. Therefore, STTM Users at those hubs only need to submit one bid to withdraw gas from each of those hubs.

However, there will be multiple distribution systems connected to the Brisbane hub. This will include two STTM distribution systems and three deemed STTM distribution systems. Under the current arrangements, STTM Users at the Brisbane hub would be required to submit separate withdrawal bids for each of their registered distribution services. AEMO would then amalgamate those bids before scheduling the market. After scheduling the market, AEMO would provide separate distribution system allocations to each STTM User.

#### *Analysis*

Providing for an STTM User to have only one trading right per hub, regardless of the number of its registered distribution services for that hub, would result in it needing to submit only one set of bids for withdrawals from the hub. It would also allow AEMO to provide those STTM Users with one combined schedule of withdrawals from the hub instead of separate schedules for each registered distribution service.

This would improve the clarity about STTM User trading rights and may marginally reduce users' and AEMO's operational costs. While the changes would currently only affect the operation of the STTM at the Brisbane hub, they would apply to all existing and future STTM hubs.

#### *Conclusion*

The Rule as Made will improve clarity for STTM Users about the relationship between trading rights at the hub and users' registered distribution services. It may also reduce

operating costs, on the margin, for AEMO and STTM Users at hubs that comprise of custody transfer points on multiple distribution systems. These reduced costs may ultimately result in lower costs for end-use consumers.

#### **5.3.4 Transmission-connected STTM Users providing contingency gas service**

##### *Current arrangements*

Under rule 435, STTM Shippers and STTM Users can submit offers to provide contingency gas services at hubs. In particular:

- STTM Shippers can submit an offer to increase or decrease the quantity of natural gas they supply to the Brisbane hub; and
- STTM Users (other than transmission-connected STTM Users) can submit offers to decrease the quantity of natural gas they withdraw from the hub.<sup>41</sup>

However, transmission-connected STTM Users will be unable to provide contingency gas services at the Brisbane hub. This is because they are not considered to be connected to an STTM distribution system for the purpose of contingency gas due to an exclusion in rule 372A(3).

This situation does not arise in Sydney or Adelaide as there are no transmission-connected STTM Users at the Sydney and Adelaide hubs as the relevant transmission pipelines do not extend into those hubs.

##### *Analysis*

The Proposed Rule would allow transmission-connected STTM Users to submit offers to provide contingency gas services at the Brisbane hub. These users may consume large quantities of natural gas.

This would increase the number of parties who could offer contingency gas services at the Brisbane hub. As a result, competition and liquidity may improve in that market. This may then lead to reduced costs for end-use consumers at that hub. Implementing the Proposed Rule would also provide greater flexibility to transmission-connected STTM users in how they use their gas. This could result in the more efficient use of natural gas services as they would have the opportunity to offer their gas to the contingency gas market.

##### *Conclusion*

The Rule as Made may result in price benefits for consumers of natural gas at the Brisbane hub as it is likely to promote competition in the Brisbane contingency gas services market. It may also encourage a more efficient use of natural gas services.

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<sup>41</sup> See rules 435(1) and 435(2).

## 5.4 Conclusion

The Commission is satisfied that the Rule as Made will, or is likely to, result in price benefits for consumers of natural gas as:

- it may allow the STTM to commence at the Brisbane hub without imposing costs associated with implementing a new timing for the start of the gas day at that hub;
- it may reduce the operational costs for gas users in the Queensland retail market and increase competition in the STTM at the Brisbane hub;
- it would improve regulatory clarity for STTM Users at hubs at which there are multiple distribution systems; and
- it is likely to promote competition in the market for contingency gas services at the Brisbane hub and may result in the more efficient use of natural gas services.

## **6 Reliability and security of supply of natural gas**

Natural gas pipelines must be operated within pressure limits and other specifications to ensure they remain safe and allow a reliable supply of gas to retailers and end-use consumers.

The STTM has a contingency gas mechanism for each hub to help ensure the security of the gas system. As discussed in section 5.3.4, this is a market mechanism in which STTM Shippers and STTM Users can submit offers to supply greater or lesser quantities of gas to the hub or to withdraw lesser quantities of gas from the hub.

Increasing the number of parties who are able to offer contingency gas services, and the quantity of gas that can be offered in respect of those services, may enhance the reliability and security of supply of natural gas at those hubs.

### **6.1 Rule Proponent's view**

The Rule Proponent stated that facilitating the participation of potential providers in the contingency gas mechanism would enhance the reliability and security of supply of gas.<sup>42</sup>

### **6.2 Stakeholder views**

AEMO did not address this issue in its submission on the Draft Rule Determination.

### **6.3 Commission's analysis**

#### *Current arrangements*

As discussed in section 5.3.4, STTM Shippers and STTM Users (except transmission-connected STTM Users) can offer contingency gas services. Transmission-connected STTM Users are unable to offer these services at the Brisbane hub as they are not considered to be connected to an STTM distribution system for the purpose of contingency gas due to an exclusion in rule 372A(3).

#### *Analysis*

The Proposed Rule would allow transmission-connected STTM Users, in line with other STTM Users, to provide contingency gas services by submitting offers to decrease the quantity of gas they withdraw from the hub. They would still be unable to participate in the contingency gas assessment conferences even though they would be deemed to be distribution systems under rule 372A(3).

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<sup>42</sup> AEMO, Rule Change Request, Attachment A, p. 27.

The Commission understands that there are expected to be three transmission-connected STTM Users when the STTM commences at the Brisbane hub.<sup>43</sup> Each of these is a major gas user; one is a gas-fired electricity generator.

Allowing a greater number of parties to offer contingency gas services at the Brisbane hub is likely to promote the reliability and security of supply of gas. This is because it will increase the number of parties that could offer those services and the quantity of gas that may be offered into the contingency gas services market.

In making this assessment, the Commission notes that transmission-connected STTM Users may have opportunities to provide demand reduction services under the existing arrangements. Allowing them to participate in the contingency gas market may give them another route for providing demand reduction services that could assist system security. This could attract higher volumes of demand reduction than would occur under usual market processes, enhancing the efficient management of system security issues at the hub in a timely manner.

## **6.4 Conclusion**

The Commission notes that allowing transmission-connected STTM Users to offer contingency gas services at the Brisbane hub is likely to promote the security and reliability of supply of natural gas to consumers supplied gas via the hub. This is because it would allow these parties to offer contingency gas services, increasing the quantity of gas that may be offered into the contingency gas services market. This will also mean that these transmission-connected STTM Users will have the same rights and responsibilities as any other STTM user.

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<sup>43</sup> AEMO, *STTM Procedures*, v. 5.1. See [www.aemo.com.au](http://www.aemo.com.au).

## 7 Transitional provisions

Transitional provisions, which are technical and administrative in nature, are contained within the Rules to provide for the commencement of a market or, or in the case of the STTM, for the commencement of a hub.

### 7.1 Rule Proponent's view

The Rule Proponent stated that the following two changes should be made to the transitional provisions:

- the first STTM billing period at the Brisbane hub should start on the first STTM day at that hub and not the first day of a calendar month. Without this change the commencement of the STTM at the Brisbane hub may need to be delayed; and
- AEMO should be required to determine and provide to each STTM trading participant at the Brisbane hub the participant's minimum exposure for the first financial year no later 15 business days before the first STTM gas day at the Brisbane hub.

The Rule Proponent stated that the Rules imposed similar requirements for the commencement of the STTM at the Sydney and Adelaide hubs.

### 7.2 Stakeholder views

AEMO did not address this issue in its submission on the Draft Rule Determination.

### 7.3 Commission's analysis

#### 7.3.1 First billing period

##### *Current arrangements*

The existing Rules provide for each billing period in the STTM at the Brisbane hub (including the first) to start on the gas day commencing on the first day of a calendar month and ending on the gas day that starts on the last day of that calendar month.<sup>44</sup> The transitional provisions for the commencement of the Sydney and Adelaide hubs provided for the first billing period to commence on the first STTM gas day at those hubs.<sup>45</sup>

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<sup>44</sup> Rule 364.

<sup>45</sup> See clause 17 of Schedule 1 to the Rules.

### *Analysis*

The Proposed Rule would provide for the first billing period of the STTM at the Brisbane hub to be the first day the STTM operates at that hub. This would provide more flexibility to AEMO in relation to the day the STTM can commence at that hub if its commencement is delayed from 1 December 2011. This may prevent any unnecessary delay to the commencement of the STTM and therefore reduce operational costs of AEMO and others.

#### **7.3.2 Amount of security**

##### *Current arrangements*

The Rules do not require AEMO to confirm with STTM participants their minimum exposure for which they must lodge security before the start of the STTM at the Brisbane hub. The Rules required AEMO to do this before the start of the STTM at the Sydney and Adelaide hubs.

##### *Analysis*

Requiring AEMO to confirm with trading participants their minimum exposure for which they must lodge security prior to the start of the STTM is likely to promote participants' ability to manage their risk of being subject to a default event. This is because:

- rule 480(3) requires each trading participant to ensure that the amount of its security unclaimed by AEMO does not fall below the participant's minimum exposure;
- under rule 486(1)(b), not complying with that obligation is a default event; and
- under rule 486(2) AEMO may issue a default or suspension notice in relation to a trading participant if a default event occurs.

The Proposed Rule is then likely to provide greater clarity to trading participants about their prudential obligations.

#### **7.4 Conclusion**

The Commission is satisfied that the Rule as Made may reduce operational costs for AEMO and others that could result from any unnecessary delay to the start of the STTM by removing a potential restriction that the STTM can only start at the Brisbane hub on the first day of a calendar month. It is also likely to provide greater clarity to STTM trading participants about their prudential obligations.

## Abbreviations

ACT	Australian Capital Territory
AEMC or Commission	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
GRCF-Q	Gas Retail Consultative Forum - Queensland
IT	information technology
MCE	Ministerial Council on Energy
NGL	National Gas Law
NGO	National Gas Objective
NGR	See Rules
NSW	New South Wales
Qld STTM-WG	Queensland STTM Working Group
Rules	National Gas Rules
SA	South Australia
SCUs	Self Contracting Users
STTM	short term trading market
STTM-CF	STTM Consultative Forum

## A Summary of issues raised in submissions

Stakeholder	Issue	AEMC response
AEMO	Suggested editorial change to the definition of 'modified market schedule quantity' in rule 364 (page 2).	Agree that the suggested change will aid clarity of the definition.
AEMO	Suggested editorial change to the definition of 'distribution contract' in rule 364 (page 2).	Agree that the suggested change will aid clarity of the definition.
AEMO	Suggested editorial change to the wording in rule 386 (page 3).	In line with the draft Rule, the Rule as Made has been drafted to ensure clarity of expression that the trading right may relate to one or more registered distribution services, each of which may have different start and end dates.
AEMO	The possible implications of an amending rule on gas day timings (page 4).	Agree with AEMO's response that having different gas day timings across the STTM hubs is unlikely to give rise to materially inefficient market outcomes.
AEMO	An amending rule that would oblige the AEMC to conduct a review into gas day timings, as originally proposed by AEMO in the Rule Change Request, that was not included in the draft Rule (page 5).	As outlined in the draft Rule determination, there are existing provisions within the NGL for the AEMC to conduct a review into gas day timings if required. The existing provisions (sections 79 and 83 of the NGL) allow for flexibility in the nature and content of any such review which may be limited by including an amending rule in the NGR.

## B Civil penalty and conduct provisions

This appendix details the civil penalty and conduct provisions omitted or amended by the Rule as Made.

<b>NGR civil penalty provisions omitted or amended by the Rule as Made</b>	<b>How amended</b>
390(2)	Variation to rule 390(2)(a) to require contract holders of registered distribution services to notify AEMO of any change to the capacity limit of the registered distribution service for any gas day.
414(1)	Minor variation to express the time by which an STTM gas day activity is to be undertaken in terms of an offset period from the start of a gas day.
442(5)	Variation to require an STTM facility operator to provide AEMO with information specified in the STTM Procedures.
488(10)	Minor variations to allow for the possibility of a hub being connected to multiple distribution systems.

<b>NGR conduct provisions omitted or amended by the Rule as Made</b>	<b>How amended</b>
488(10)	Minor variations to allow for the possibility of a hub being connected to multiple distribution systems.