INFORMATION

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Market schedule variations

Final rule determination 30 August 2012

The AEMC has today published its final rule determination on amendments to the National Gas Rules relating to market schedule variation transactions in the short term trading market for gas.

About the rule

The rule enables users in the short term trading market (STTM) to submit market schedule variations (MSVs) to AEMO. As a result, direct MSVs between users in the STTM are now possible.

MSVs are an important mechanism for participants in the STTM to avoid deviation penalties. The rule change requested by AEMO sought to make MSV transactions more efficient by allowing two users who wish to submit an MSV to do so directly with AEMO. Prior to the rule change, an MSV between two users was only possible with a shipper acting as intermediary.

Benefits of the rule

The rule published today reduces the number of transactions needed to complete a user-to-user MSV. It increases efficiency with which these MSVs can be undertaken and gives more flexibility in how MSVs can be processed.

The rule will better facilitate market practices. This is likely to benefit trading participants in the STTM, from which, ultimately, consumers of gas would be able to benefit in terms of price.

The rule commences 19 March 2013. This commencement date allows for the necessary changes to the STTM Procedures and relevant IT systems to be made by AEMO.

Rule making process

The AEMC assessed the rule change request under an expedited process, which is possible under the National Gas Law for rule changes that are considered to be non-controversial.

The AEMC requested written notification from any stakeholder who objected to the rule being assessed under the expedited process. No such objections were received and accordingly, the AEMC proceeded with the expedited process. Under this process, no draft determination is provided.

Background to the STTM and MSVs

The STTM is the trading market for natural gas at the wholesale level, currently operating at established hubs in Adelaide, Brisbane and Sydney. The STTM is a day-ahead trading market where shippers submit offers to supply gas to the hub and users submit bids to withdraw gas from the hub.

Typically, the quantity of gas that shippers and users actually supply to or withdraw from the hub on the gas day itself differs from the quantity nominated and scheduled in advance for that day. This difference is called a deviation. As the STTM intends to encourage participants to forecast as accurately as possible, a deviation may incur a deviation penalty.

The rule improves the usability of MSVs in practice.

MSVs are an important mechanism for participants in the STTM to avoid deviation penalties.

MSVs are a mechanism in the STTM that allows shippers and users to make renominations in their ex-ante market schedules in response to changes in demand or supply. This will reduce their exposure to deviation penalties afterwards. MSVs must be submitted to AEMO for further processing during the settlement procedure. As a result of the rule published today, both users and shippers are now able to submit MSVs to AEMO.

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