

19 March 2014

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Level 22
530 Collins Street
Melbourne VIC 3000

Postal Address:
GPO Box 2008
Melbourne VIC 3001

T 1300 858724
F 03 9609 8080

By online submission

Dear Mr Pierce

STTM Settlement Surplus and Shortfall - GRC0023

AEMO appreciates the AEMC's decision to consider this rule change as an urgent rule and also the opportunity to respond to the AEMC's Draft Consultation Paper on the National Gas Amendment (STTM Settlement Surplus and Shortfall) Rule 2014 – GRC0023.

As the proponent, AEMO makes this submission in further support of the rule change request. Subject to minor clarifications (attached), AEMO is satisfied that the AEMC's indicative drafting meets AEMO's policy objective.

If you would like to discuss any matters raised in this submission, please contact Sandra McLaren on 03 9609 8355 or email sandra.mclaren@aemo.com.au.

Yours sincerely



Mike Cleary
Chief Operating Officer

cc:

Attachment: AEMO Submission in response to AEMC Draft Consultation Paper: National Gas amendment (STTM Settlement Surplus and Shortfall) Rule 2014 – GRC0023

AEMO Submission in response to AEMC Draft Consultation Paper: National Gas Amendment (STTM Settlement Surplus and Shortfall) Rule 2014 – GRC0023

Alternative Indicative Rule

The AEMC's draft consultation paper proposes an alternative indicative rule to AEMO's proposed rule. AEMO considers that this alternative drafting meets AEMO's policy objective of allowing for an equitable allocation of settlement surpluses and shortfalls, while maintaining the "causer pays" principle introduced in the National Gas Amendment (STTM Deviations and the Settlement Surplus and Shortfall) Rule 2012 – GRC0014, subject to one minor amendment.

AEMO suggests the inclusion of the phrase 'other than deviation quantities' in rule 464(2A)(b)(ii) in reference to circumstances that are beyond the reasonable control of the Trading Participant. This clause appears to be intended to deal with settlement surpluses and shortfalls that have not been caused by deviation quantities. However, deviation quantities can be caused by factors that are beyond the reasonable control of Trading Participants. For the avoidance of doubt, AEMO suggests that deviation quantities be specifically excluded from this clause. Suggested drafting is shown below, with an additional amendment to improve readability.

Rule 464 Settlement amounts for billing periods

- (2A) The STTM Procedures must specify the basis and method for calculating the settlement shortfall charge or settlement surplus payment for a hub and a billing period under subrule (2)(b)(i) in accordance with the following principles:
- (a) any settlement shortfall or settlement surplus should be allocated to Trading Participants at that hub in the billing period; and
 - (b) such allocation should promote the economically efficient operation of the STTM by efficiently allocating the proportion of any settlement shortfall or settlement surplus arising from:
 - (i) a deviation quantity, to the Trading Participants on the basis of their total deviation quantity, subject to any settlement surplus cap; and

(ii) MOS related services or circumstances that are beyond the reasonable control of the Trading Participants (other than deviation quantities), to all Trading Participants,

~~at that hub for that billing period.~~

