



## Allocation of settlement surplus and shortfall in the STTM for gas

### Publication of final rule determination and final rule

**The Australian Energy Market Commission (AEMC) has made a rule that sets out a clear principle for differentiating the allocation of STTM settlement surpluses and shortfalls to Trading Participants arising from circumstances within, and not within, their reasonable control.**

#### Final rule

The Commission has made a rule to rectify unintended potential financial consequences for STTM Trading Participants from the implementation of a previously made rule\* due to start on 1 May 2014. The new provisions will be effective from 1 November 2014.

The Commission considers its more preferable rule, specifically pertaining to rule 464(2A) of the National Gas Rules (NGR), provides for a clearer approach to efficiently allocating risk associated with STTM settlements, as it:

- explicitly includes the “causer pay” principle as a basis for allocating the settlement surplus and shortfall (arising from deviations) to those Trading Participants who caused the cost in the first instance;
- acknowledges that settlement surpluses and shortfalls may arise from circumstances that are beyond the reasonable control of Trading Participants (arising from counteracting Market Operator Service (MOS) and contingency gas), in which case they should be recovered proportionally from all market participants; and
- makes provision for the incorporation of a settlement surplus cap in the STTM Procedures, if required, to maintain incentives for Trading Participants to act in a manner that is consistent with their allocated gas market schedules.

The more preferable rule also avoids the need for transitional provisions because it “undoes” the previously made rule\* (commencing 1 May 2014), then “re-makes” the majority of that rule with the addition of the new rule 464(2A) (commencing 1 November 2014).

#### Background

AEMO submitted an urgent rule change request to the AEMC in late 2013, seeking to rectify unintended potential financial consequences for STTM Trading Participants arising from a previously made rule\*.

AEMO considered that the previously made rule\* is likely to lead to the disproportionate distribution of settlement shortfall charges to STTM Trading Participants where costs are not attributable to identifiable causes (such as those that may arise from counteracting MOS and contingency gas).

\* National Gas Amendment (STTM Deviations and the Settlement Surplus and Shortfall) Rule 2013 No.4.

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