

29 April 2011

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*John,*  
Dear Mr Pierce

### **Rule Change Request – STTM Market Schedule Variation Window**

We request the Australian Energy Market Commission (AEMC) make an amendment to the National Gas Rules (NGR) with regard to the window for market schedule variation (MSV) transactions in the Short Term Trading Market (STTM).

The Rule change proposal seeks to amend rule 423 to enable the current window for participants to submit MSV transactions to be extended from four days to seven days after the relevant gas day. The change is to enable participants to manage MSV transactions more efficiently. Live market operations have shown that there are instances where the distribution system allocations are not sufficiently stable for MSV purposes within the current four day window. Consequently, trading participants are either unable to fully transact their quantities fully or, potentially, may inadvertently generate deviations with their MSV transactions.

Noting the above and the feedback from AEMO's consultation on this issue, we seek that the AEMC consider this rule change request as non-controversial under section 304 of the National Gas Law.

A description and drafting of the proposed Rule, a statement of the issues concerning the existing NGR, and how the proposed Rule contributes to the achievement of the National Gas Objective is provided at Attachment A.

AEMO would be pleased if you could have these matters considered by the AEMC. For further details, please do not hesitate to contact Terry Grimwade, Executive General Manager—Market Performance, on (03) 9609 8520.

Yours sincerely



**Matt Zema**  
**Managing Director and Chief Executive Officer**

Attachment A: Rule Change Proposal

## Attachment A: Rule Change Proposal

This Rule Change Proposal is structured as follows:

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## 1. Background

The Short Term Trading Market (STTM) involves an ex ante market price and schedule being determined on the day before the relevant gas day. The ex ante market schedule is determined using supply offers and demand bids (submitted by trading participants), and the capacity of STTM facilities (as provided by the STTM facility operators).

The day after the gas day, allocation agents appointed by STTM facility operators submit allocation data to AEMO. AEMO records this data without adjustment as the actual quantities of gas flowed to and from the hub by STTM shippers ("STTM facility allocations"). Allocation data for gas withdraws from the hub by STTM users ("STTM distribution system allocations") is submitted to AEMO through separate retail market systems, and AEMO, as the retail market operator (RMO), submits this data to the STTM. STTM facility allocations and STTM distribution system allocations can subsequently be updated for a gas day by allocation agents appointed by STTM facility operators and RMO. These updates can occur up to nine months after a calendar month as part of settlement revision. The amended volumes are taken into account as part of settlements.

The amount paid and received by trading participants in settlement of the market depends on, among other things, the quantities they have been allocated, the quantities of confirmed market schedule variations (MSVs), the quantities by which they have deviated from their modified market schedule, the market prices calculated before the gas day and after the gas day.

### Market schedule variations

After the gas day is ended the STTM compares the modified market schedules<sup>1</sup> to the allocations for STTM shippers and STTM users. Any differences between the modified market schedules and the allocations are called deviations and there is a penalty payment or charge associated with these deviations.

The STTM also recognises that STTM shippers and STTM users may deviate from their schedule for valid reasons, such as a change in forecast demand. As such, there is a feature within the STTM, called a MSV, which allows STTM shippers and STTM users to match deviations and make them part of the modified market schedule.

This MSV feature enables STTM trading participants (STTM shippers and STTM users) to submit a transaction which matches deviations between parties. Once the transaction is agreed by the receiving party the modified market schedules of both parties are amended by this quantity.

So, for instance, if a user's demand increases by 20 GJ, they would request their STTM shipper to deliver an additional 20 GJ of gas to meet this demand. The STTM shipper will make an intraday nomination to the STTM facility operator to deliver an additional 20 GJ of gas to the hub. At the end of the gas day, the additional gas delivered to the hub by the STTM shipper is seen by the STTM as a deviation and the additional gas consumed at the hub by the STTM user is also seen as a deviation.

However the STTM shipper can submit an MSV nominating the STTM user as the receiving party. If the user accepts the MSV, then the modified market schedules for both the STTM shipper and STTM user are amended by this quantity and their deviation quantities are reduced by this

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<sup>1</sup> The modified market schedule comprises the ex ante market schedule adjusted for market schedule variations, market operator services, overrun MOS and contingency gas.

quantity. In accepting the MSV, the STTM charges the user a variation charge based on the quantity of gas transacted.

At present, trading participants are able to submit MSVs for a gas day up to 5:00 pm Australian Eastern Standard Time (AEST) on the fourth day after a gas day.

During the design phase of the STTM, the four day MSV window was considered sufficient and it was felt that data would be stable enough to allow trading participants to undertake MSVs in confidence. The four day MSV window was put in place on the basis that the:

- allocation data from the RMO would be stable by the third day, allowing participants time to finalise MSVs by the fourth day; and
- four days allows for processing prior to the preliminary settlements being run at month's end with MSVs for the last day of the month being completed.

Live market operation has shown that there are instances where the distribution system allocations are not sufficiently stable within this four day window for MSV purposes. Consequently, trading participants are undertaking MSVs with unstable data, which means that they are either unable to fully transact their quantities or, potentially, inadvertently generating deviations with MSV transactions that are intended to reduce deviations based on the available allocation data.

## 2. Statement of Issues

### 2.1 Current NGR requirements

Rule 423 of the National Gas Rules (NGR) sets out the framework governing MSVs, including who can submit and receive an MSV, the type of information that is to be contained in an MSV and the timing for an MSV transaction. The STTM Procedures (clause 7.3) outline the detailed requirements relating to MSVs.

Rule 423(1) specifies the existing MSV transaction window, which currently opens from 1:00pm on the day before the relevant gas day and closes at 5:00pm four days after the relevant gas day.

### 2.2 Issue with current NGR requirements

#### 2.2.1 Allocation data stability

One of the key drivers enabling trading participants to make decisions about MSVs is the stability of the allocation data for a gas day. Where the data is stable, trading participants are able to make clear decisions about the quantities that will be submitted to the MSV process. Where the data is less stable, the trading participant is exposed to the risk of not being able to undertake MSVs or creating a deviation through the MSV process.

After market commencement, trading participants requested AEMO review the stability of STTM allocation data in the context of the MSV window. The intent of this review was to determine whether allocation data was stable enough to inform MSV transactions. The assessment was not intended to consider, in a broader sense, whether the MSV framework needs to be revised—noting that such a review could be undertaken as part of the STTM reviews prescribed in Part 20, Division 11 of the NGR.

AEMO undertook analysis of stability of the STTM facility allocation and STTM distribution system allocation at both the STTM Sydney and Adelaide hubs. The results of that analysis, together with a description of the analysis undertaken, are presented at Appendix I.

The analysis highlights that:

- The STTM facility allocations for both the STTM Sydney and Adelaide hub are relatively stable, with relatively little change occurring through the month. The updates to the data for a gas day between gas day and preliminary and final settlement statements also show almost no change. Therefore, the STTM facility allocations do not create issues for MSV transactions.
- The Adelaide hub distribution system allocation data is stable with only the occasional excursion, which generally only lasts three to four days. Based on this analysis, the distribution system allocations for the Adelaide hub do not create a problem for MSV transactions.
- The Sydney distribution system allocation data—for some participants such as self contracting users the data is relatively stable and remains so. However, for most participants (i.e. retailers), the data is less stable and takes some days to settle down. This includes both interval and non-interval metering data. For these participants, the data is relatively stable by the fifth to seventh day.

The analysis above highlights that the four day window, as prescribed in the NGR, may create a problem for some participants because by the fourth day (particularly at the Sydney hub), the allocation data is not stable enough to be a reliable basis for participants to transact MSVs. The analysis shows that the data tends to stabilise between days five and seven.

### **2.2.2 Business days**

As noted above, the current MSV window is prescribed as four days. During AEMO's consultation process, trading participants have raised concerns that the current rule requirement does not appropriately take into account long weekends (e.g. Easter and Christmas) where both Fridays and Mondays are public holidays. Participants noted that during these periods some organisations have additional difficulty in brokering trades and confirming data from other organisations, especially in the context of unstable data, as presented in section 2.2.1.

### 2.2.3 Operational detail in the NGR

The current NGR prescribe some of the technical details concerning the MSV. One element is the MSV window, which is a transactional element of the MSV mechanism.

The MSV window is different to other timing obligations prescribed in the NGR such as requirements to submit bids, offers and STTM facility data by certain times. These latter timing obligations are key elements of the market pricing and scheduling process and can have significant impacts on market and pricing outcomes. The prescription of a four day window was to provide enough time for the allocation data to stabilise, while limiting the length of the window to ensure that MSVs for the final gas day of a month are completed in time for inclusion in the preliminary settlement statement.

Based on current operational experience, there is a clear case for extending the MSV window to ensure adequate data stability as a basis for MSV transactions and, to enable the efficient and effective use of this facility in the STTM, this change needs to be made as soon as practical.

However, there is also a likelihood that the MSV framework will be reviewed again in the next 12 to 18 months as part of the STTM reviews prescribed in Part 20, Division 11 of the NGR, and with further operational experience of data stability at the Sydney and Adelaide hubs, and, from December 2011, at the Brisbane hub.

Taking account of the transactional and voluntary nature of MSVs, and the potential for further review of the MSV framework, it is considered more appropriate that the length of the MSV window be prescribed in the STTM Procedures rather than the NGR. The STTM Procedures are a formal regulatory instrument made by AEMO under the NGL and NGR, after a formal consultation procedure itself established under the NGR. This would therefore deliver the same regulatory certainty for participants as prescribing the MSV window in the NGR, but would provide greater flexibility in making any subsequent amendment based on operational experience, avoiding inefficient use of the formal NGR change process for what is effectively a procedural matter.

## 3. Proposed solution and Rule

### 3.1 Description of the Proposed Rule

AEMO is proposing a draft NGR change to move the operational aspects relating to the timing of MSVs from rule 423 of the NGR and placing them in the STTM Procedures. As a result, AEMO is also proposing a change to the STTM Procedures to include the amended timing for completion of MSVs (i.e. changing the MSV window from four to seven days).

The framework for operation of MSVs will remain in the NGR, with the procedural detail moved to the STTM Procedures.

AEMO's proposed change to rule 423 is provided at Appendix II.

### 3.2 If the Rule is made, what will be included in the STTM Procedures?

AEMO proposes to amend the STTM Procedures to include the MSV window and amend the MSV timeframe from four days to seven days.

A seven day MSV window addresses the distribution system allocation data stability issue. That analysis shows that by the seventh day, the distribution system allocations are relatively stable enabling trading participants to undertake MSVs with more confidence compared to the current arrangements. In addition, extending the MSV window to seven days requires minimal STTM IT system changes as the systems were built using a table entry to describe the MSV window—that is, the number of days after a gas day can be changed in the STTM systems by adjusting a number (presently set to four) stored in a table to seven. This means that the proposal can be implemented quickly from a system perspective, at limited cost, compared to other alternatives considered.

### 3.3 What other options were considered?

As part of AEMO's consideration, three options were considered:

- Option 1: amend the MSV window to represent a fixed period after a gas day (i.e. current arrangements) but amend the MSV period to seven days.
- Option 2: amend the MSV window to reflect business days rather than gas days.
- Option 3: amend the MSV window to a set day after calendar month's end (i.e. this would mean that the MSV window is open for all gas days in a calendar month up to seven days after the end of that calendar month).

AEMO's preference, taking into account issues raised during consultation, was to retain the current approach, Option 1, for the following reasons:

- Option 2, amending the MSV window to represent a fixed number of business days rather than a fixed number of gas days, could create confusion for trading participants around non-business days and public holiday periods as to when the MSV window closes for a particular gas day. In addition, this option requires material system changes given the system is designed, and appropriately so, for market operational purposes, around gas days rather than business days. It was considered that the preferred option, Option 1, would address the business day issue by extending the MSV window to seven days to give trading participants more time around non-business days and long weekends compared to the current arrangements.
- Option 3 would mean that the MSV window period would vary for each gas day in a calendar month. For example, for a gas day at the start of the calendar month, a trading participant would have approximately 30 days to undertake an MSV and for a gas day at the end of the month a trading participant would have seven days. This approach means there is no consistent timeframe for MSV transactions.

In addition, a number of participants raised concern with this option. AGL noted that it did not support any further extension beyond seven days as there is benefit in having closure of a gas day as early as possible in order to provide certainty to trading participants. AGL also noted that an effective market cannot operate with past days being left open indefinitely.

Like Option 2, Option 3 requires material changes to the STTM systems which would take some time to implement.

Taking into account the above issues, AEMO therefore considers that the MSV window be extended from four to seven day for the following reasons:

- The distribution system allocations are relatively stable at seven days;
- Extending the MSV window to seven days addresses the business day issue;
- Extending the MSV beyond seven days does not allow for closure of a gas day as early as possible potentially creating uncertainty to trading participants. Therefore the proposal allows participants to undertake MSV in the context of stable data while providing appropriate closure of settlement outcomes for a gas day;
- The change can be easily implemented in the STTM systems at little cost to industry; and
- The change aligns with the monthly preliminary statement (which is seven business days after calendar month). This means that the MSV transactions would be completed by the time preliminary settlement statements are made available to trading participants.

A copy of the draft changes to the STTM Procedures is provided at Appendix III. AEMO notes that the proposed procedure changes will go through a formal procedure change process as specified under the NGR. AEMO expects to commence its formal procedure change process once a notice is published by the AEMC (if it decides to expedite the rule change) or otherwise when the AEMC makes a draft decision.

### 3.4 How the Proposed Rule addresses the identified issues

As outlined in previous sections AEMO considers that the proposed rule addresses the identified issues in section 2 as follows:

- *Allocation data stability*—the proposed rule would allow the STTM Procedures to deal with this issue. As noted above, AEMO intends to amend the MSV window from four to seven days which would enable trading participants to undertake MSVs in the context of stable allocation data.
- *Business days*—the proposed rule would allow the STTM Procedures to deal with this issue. As noted above, AEMO intends to amend the MSV window from four to seven days which would enable trading participants to better manage MSVs over non-business days and public holidays.
- *Operational detail in NGR*—the proposed rule change addresses this issue because it proposes moving the MSV window from the NGR and STTM Procedures. This would maintain regulatory certainty for trading participants while ensuring that procedural details relating to the MSV window are dealt with in the STTM Procedures.

### 3.5 Request for non-controversial rule

AEMO requests that the AEMC considers this Rule change proposal under section 304 of the National Gas Law (NGL). Section 304 applies if the AEMC considers that a request for a Rule is a request for a non-controversial Rule. The NGL defines, at section 290, non-controversial Rule to mean:

“...a Rule that is unlikely to have a significant effect on a market for gas or the regulation of pipeline services;”

AEMO considers that section 304 applies for the following reasons:

- The intent of the analysis and proposal was to consider whether the policy intent of the current MSV framework could be fulfilled by examining whether trading participants could undertake MSVs effectively within the current window rather than more widely examining the MSV framework. In this context, AEMO considers that the proposed rule does not have a material effect on the STTM or trading participants because the proposal allows the STTM Procedures to ensure that the MSV window can be utilised by trading participants in the context of allocation data stability.
- This proposal does not affect market operation, but rather adjusts the timing for an existing transaction within the market, and as such would not have a significant effect on a market for gas or the regulation of pipeline services.
- As outlined in section 3.6 of this rule submission, AEMO undertook consultation via the STTM Consultative Forum (STTM-CF) and through public consultation via its web-site. As reflected in the minutes of the STTM-CF meeting of 31 January and 1 March and stakeholder comments presented at Appendix IV, there was support for AEMO's proposal, including submitting the rule change proposal to the AEMC under the non-controversial rule change path.

### 3.6 Stakeholder consultation

AEMO has consulted the STTM-CF. The matter was discussed at the STTM-CF meeting of 31 January 2011 and 1 March 2011. The STTM-CF unanimously supported the proposal to change the MSV window.

The papers presented and the minutes of the STTM-CF discussion can be found on the AEMO website.

On 11 March 2011 AEMO re-circulated a draft of the proposed NGR and STTM Procedure drafting to the STTM-CF seeking comment by 18 March 2011. AEMO received comments from Australian Power and Gas (APG), Adelaide Brighton Cement and OneSteel, all supporting AEMO's proposal (see Table 1 presented in Appendix IV).

AEMO also undertook public consultation. On 4 April 2011, AEMO released the rule change proposal for public consultation seeking comment by 18 April 2011. AEMO received no submissions.

## 4. How the Proposed Rule contributes to the National Gas Objective

Before the AEMC can make a rule change it must apply the rule making test set out in the NGL, which requires it to assess whether the proposed Rule will or is likely to contribute to the National Gas Objective (NGO).

The National Gas Objective 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.”

AEMO considers that the proposed Rule is likely to contribute to the NGO for the following reasons:

- *MSV window aligns with allocation data stability*—the proposal allows the STTM Procedures to amend the MSV window to address the issues identified in section 2 of this rule submission. This proposal would minimise the risk currently faced by trading participants of not being able to undertake MSVs because of data instability or creating deviations for themselves through the MSV process. This would support the objective to provide for efficient operation and use of services relating to the STTM.
- *Retain regulatory certainty*—retaining the MSV window in a regulatory instrument such as the STTM Procedures means that there is a procedure change process, governed by the NGR, to changing any detail concerning the MSV window. This retains regulatory certainty for trading participants.

The Rule that governs the framework of the MSV [Rule 423] already provides for substantial procedural detail to be managed by the STTM Procedures (section 7.3). The proposed rule change continues the philosophy of having the framework for the STTM contained within the NGR and having the technical or procedural detail contained within the STTM Procedures.

- *Cost of making a further adjustment to the MSV window*—the proposed Rule change would improve operational efficiency of the STTM by allowing the MSV timing provisions to be adjusted more quickly in response to changes in the overall operation of the STTM. This provides for reduced costs of implementation, including market participant costs and AEMO costs associated with regulatory change processes.
- *Cost of delay in adjusting MSV timing*—the STTM is a new market, and operational matters surrounding the workings of the market need to be flexible to meet the changing needs of industry as experience with the market grows.

Any delay in changing the current window would increase the likelihood that trading participants will be unable to properly transact MSVs or may create deviations for themselves through this process. Delays in managing this process would increase the overall risk to trading participants.

The proposed rule changes would move the procedural details of the MSV transaction to the STTM Procedures (with the other procedural aspects of MSVs). It is considered that this would achieve the appropriate balance of regulatory clarity and certainty on procedural matters, requiring a documented formal consultation process to effect change, while providing an appropriately more flexible and streamlined change process to respond to potential future operational, rather than policy or market design, drivers. This provides for efficient operation and use of services relating to the STTM.

## 5. Expected benefits and costs of the Proposed Rule

As highlighted in previous sections, AEMO expects that the proposed rule would benefit trading participants, and hence consumers, by allowing the STTM Procedures to amend the MSV window to reduce the risks associated with the current MSV process due to instability of allocation data. Providing trading participants with an ability to undertake MSV in the context of stable data will reduce costs to trading participants in managing their deviations and reduce the costs on trading participants associated with unintentionally creating deviations for themselves through MSVs.

The benefits to industry, and hence consumers of natural gas, are that with a larger window for undertaking MSVs, participants have a greater assurance of their allocation data. They can, therefore, make better decisions relating to quantities of gas to be submitted and confirmed through the MSV process.

The proposed rule would mean moving the management of the procedural aspects of MSVs from the NGR to the STTM Procedures. This would benefit the STTM market participants by ensuring that there is a single reference document managing the procedural elements of the MSV process, a single, formal, but more streamlined process to manage changes to these procedural matters, particularly since further procedural changes could possibly be identified in the next 12 to 18 months as more operational experience is gained at the existing Sydney and Adelaide hubs, the Brisbane hub from December 2011, and reviews of the STTM prescribed in the NGR..

There are minimal costs associated with the Rule change. The rule change would require AEMO to undertake a procedure change process, this is considered non-material. The Rule change would also require non-material IT system costs to change a system parameter in order to give effect to the extension of the MSV window from four to seven days.

## Appendix I: Analysis of allocation data stability

Analysis was undertaken of the allocation data for each gas day of a month. The series was selected so that it covered a period from the start of a month to the point where the allocation data is updated and provided to AEMO as part of month end settlements update. The intent of selecting a two month period was to enable AEMO to analyse whether there are fluctuations in the allocation data for a gas day, particularly network allocation data, where allocation data for individual trading participants may vary.

For the Adelaide hub, the analysis covered the October 2010 to January 2011 period. For the Sydney hub, the analysis covered November 2010 and December 2010.

This analysis was undertaken for both STTM facility allocations and STTM distribution system allocation (as provided to the Retail Market Operator (RMO) by distribution network operators) for both the Sydney and Adelaide gas hubs.

The information has been shown graphically below. Please note each line presented in the figures represents the change in the allocation data for a gas day.

The STTM facility allocation data is relatively stable, with the Adelaide hub showing one occasion where there was a change in STTM facility allocation data across two consecutive days.

Analysis of the STTM distribution system allocations provided to the RMO showed that at the Adelaide hub the STTM distribution system allocations were stable, with only occasional changes in allocation data across the first three days.

However, the STTM distribution system allocations at the Sydney hub show:

- for self contracting users, the data is subject to some data instability, but generally the data is relatively stable.
- For retailers, the analysis shows substantial movement in the first four to five days and generally becomes relatively stable by the seventh day.

### STTM Pipeline Delivery Data

Figure 1: Sydney Pipeline Deliveries

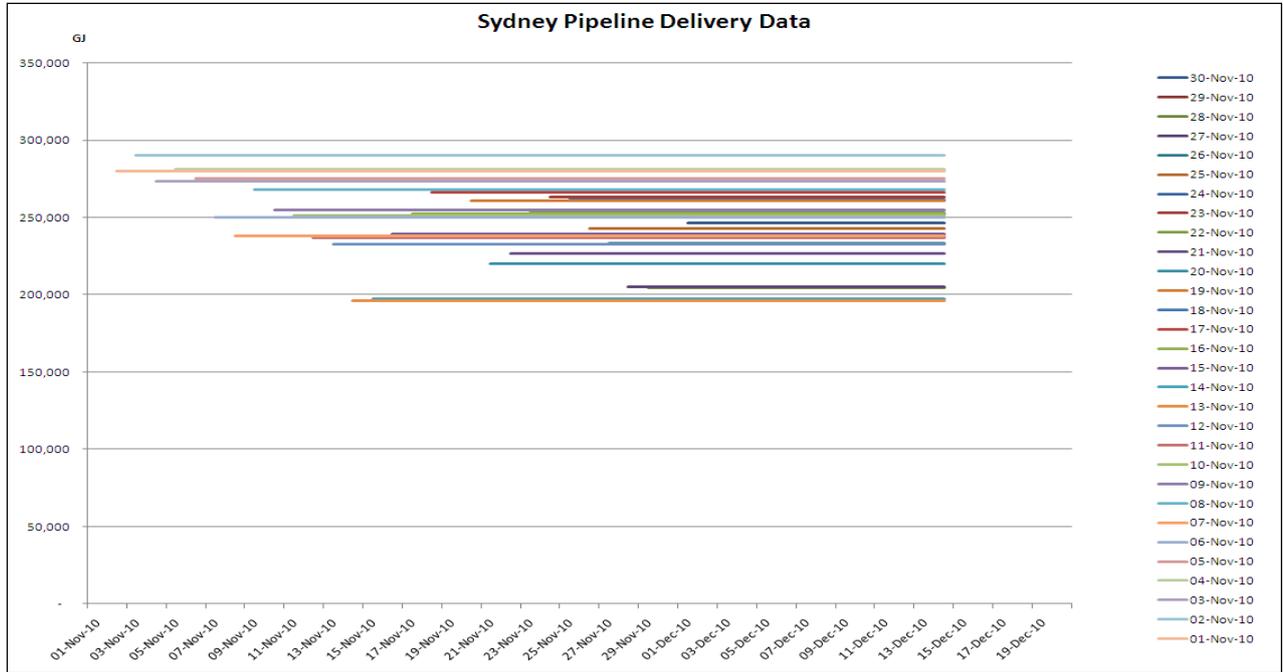
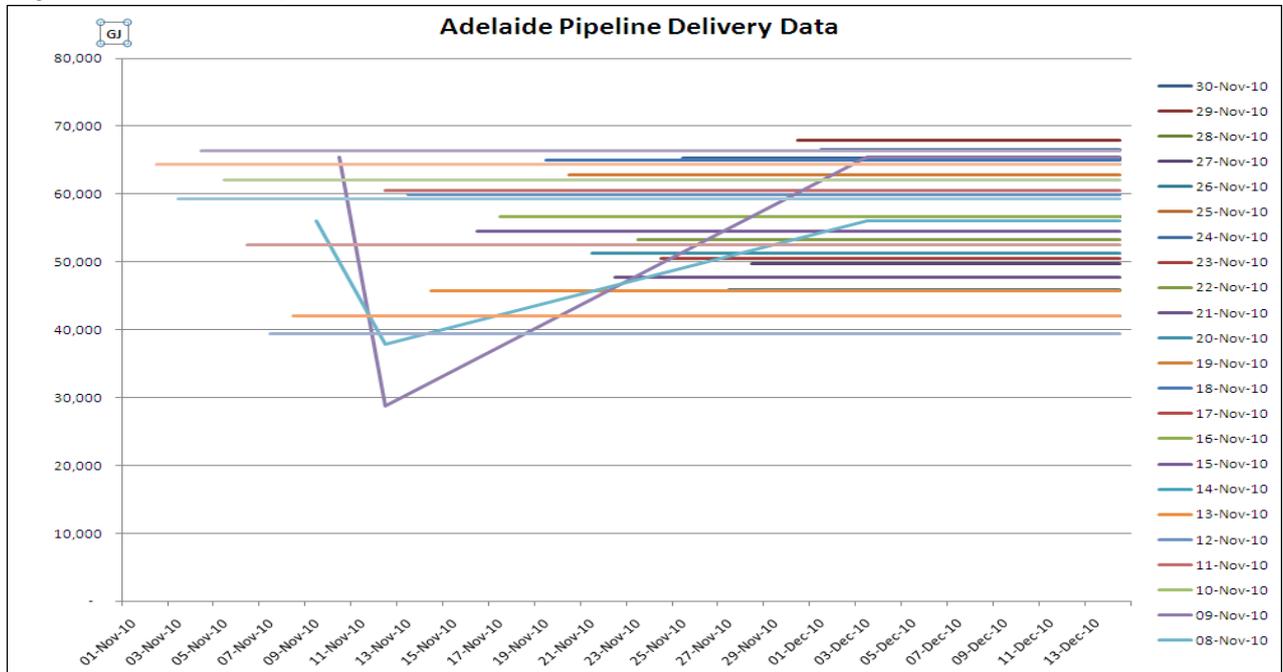


Figure 2: Adelaide Pipeline Deliveries



### STTM Sydney hub network data

Note: The vertical scale on the following self contracting user and retailer graphs is in GJ. The actual numbers are not shown to protect the confidentiality of participant information. Further, the descriptions of the relevant participants are similarly vague, so as to protect participant information.

Figure 3: Large Self Contracting User - Sydney

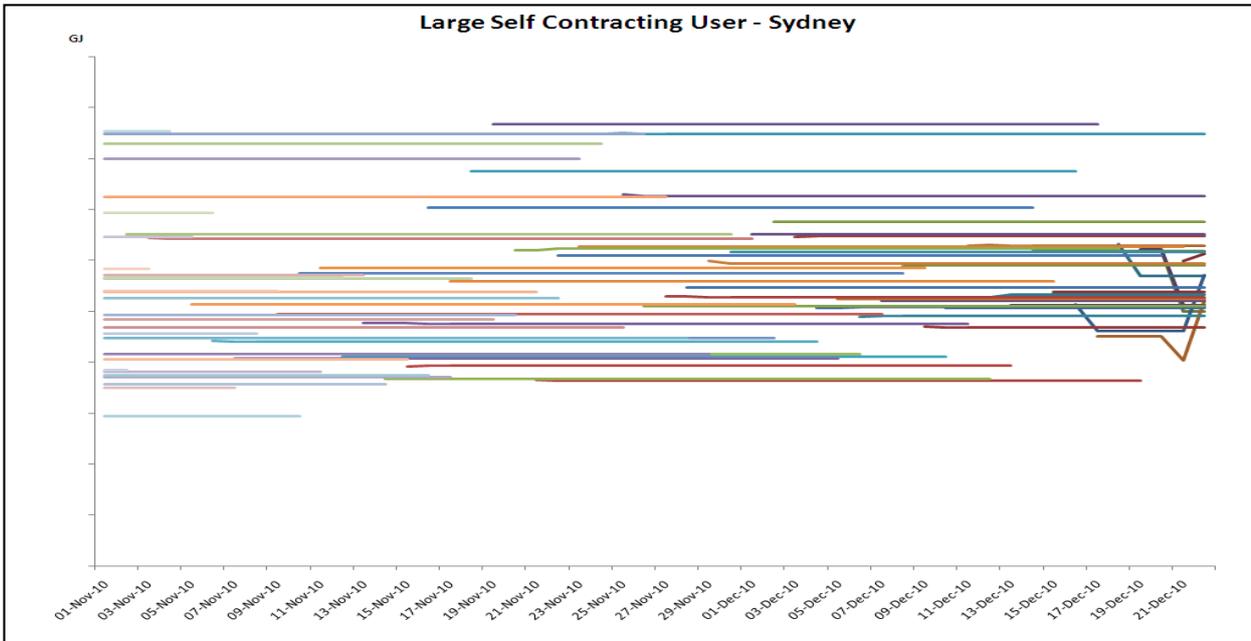


Figure 4: Retailer - Sydney

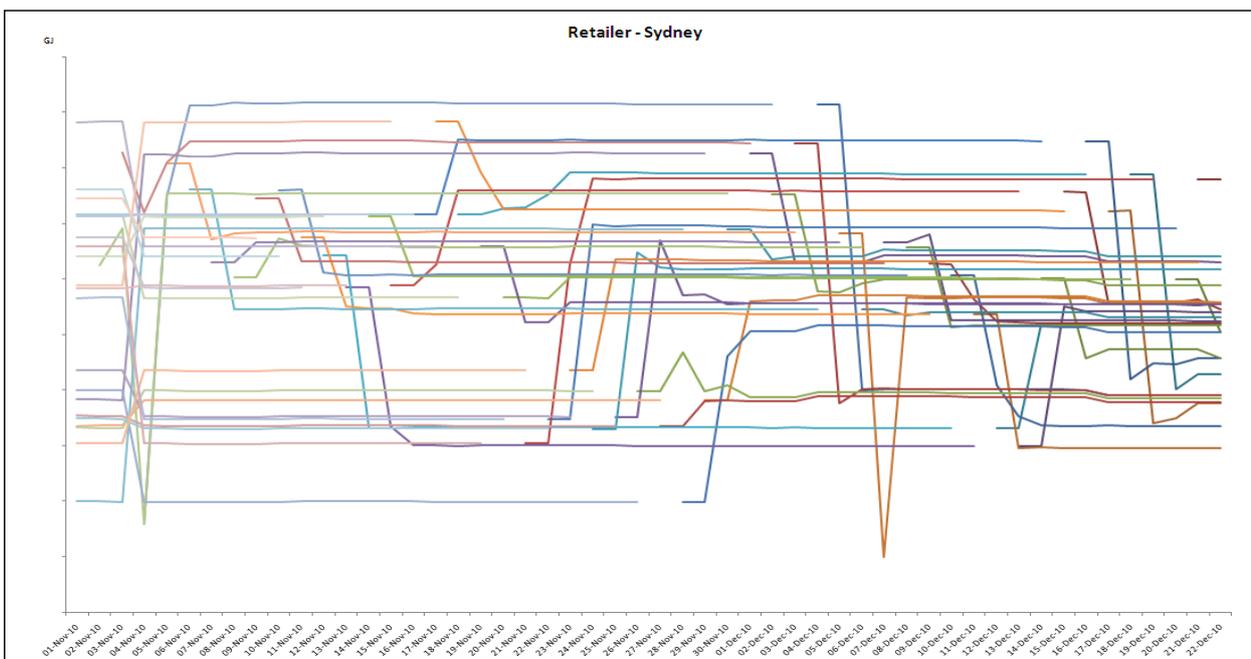
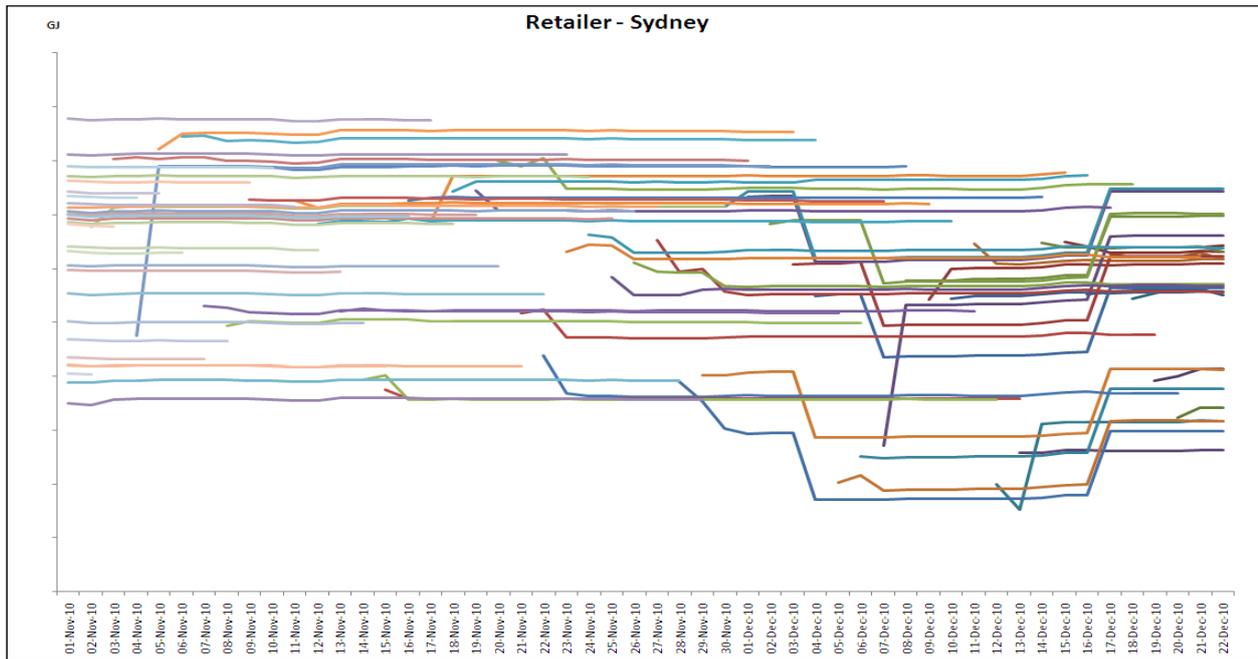


Figure 5: Retailer - Sydney



### STTM Adelaide hub network data

Figure 6: Large Self Contracting User

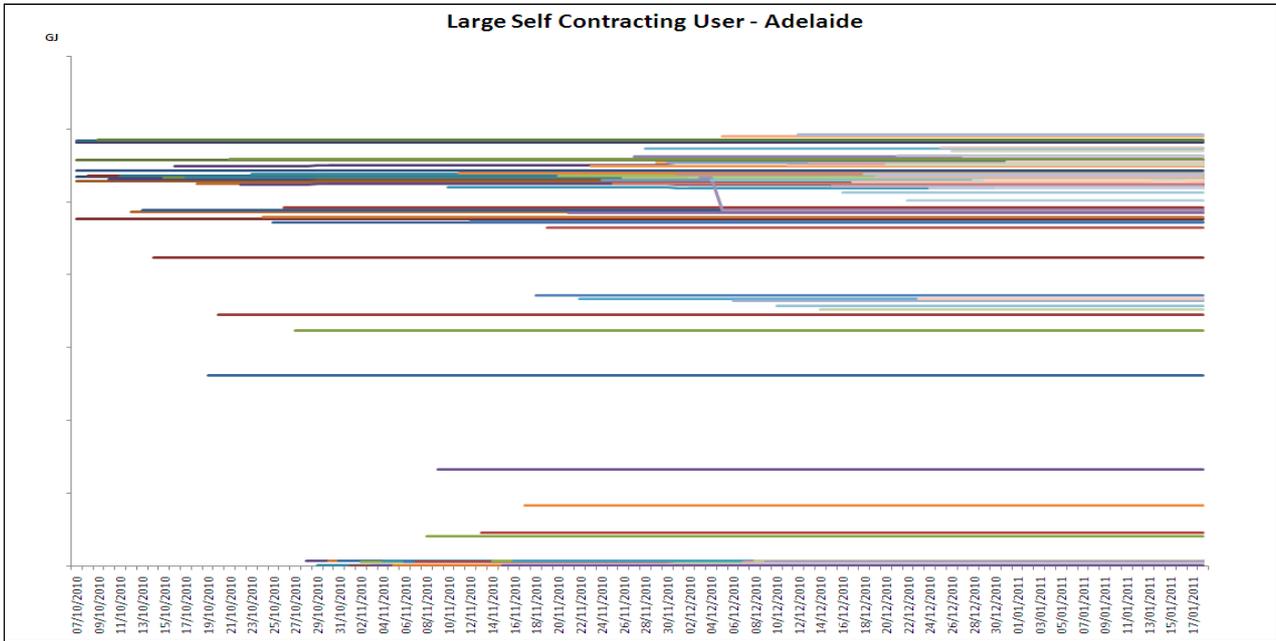
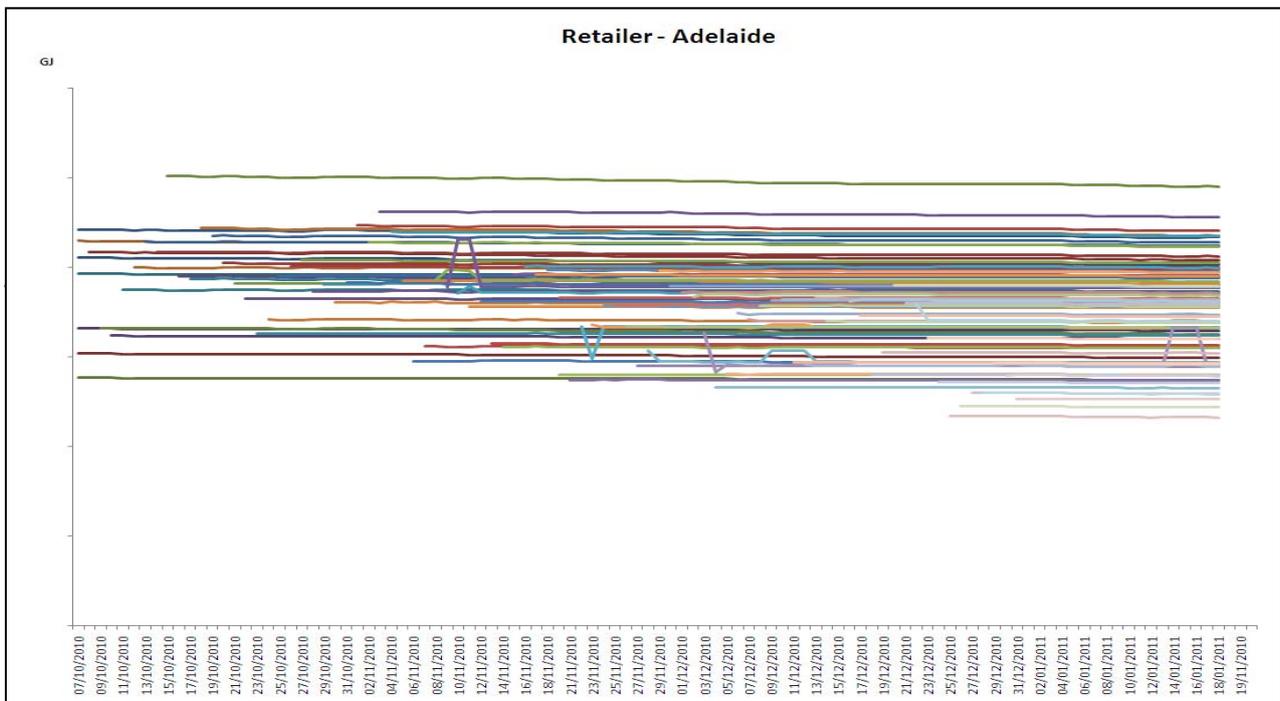


Figure 7: Retailer - Adelaide



## Appendix II: Draft Rule

This appendix outlines the proposed changes to the NGR covered by the Rule change proposal. Strikethroughs represent proposed deletions and red text represents proposed additions. This draft is based on version 8 of the NGR.

### National Gas Rules – Part 20

#### 423 Market schedule variations

(1) An STTM Shipper (the *originating STTM Shipper*) may submit a proposed market schedule variation in respect of a hub and a gas day to AEMO in accordance with the STTM Procedures.

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~~(a) after 1:00pm on the immediately preceding gas day; and~~

~~(b) before 5:00pm on the 4th gas day after the gas day to which that market schedule variation relates.~~

*Note:*

*The originating STTM Shipper will need to allow sufficient time for the market schedule variation to be confirmed by any other Trading Participant in the same timeframe under subrule (5).*

(2) A proposed market schedule variation submitted to AEMO under subrule (1) must contain the information set out in the STTM Procedures about:

(a) the nature and quantity of the proposed market schedule variation; and

(b) the originating STTM Shipper whose modified market schedule quantity is to reflect the proposed market schedule variation; and

(c) the STTM Shipper or STTM User whose modified market schedule quantity will reflect the same proposed market schedule variation (the *receiving Participant*).

*Note:*

*The originating STTM Shipper and receiving Participant may be the same Trading Participant.*

(3) Where a proposed market schedule variation affects two STTM Shippers, the originating STTM Shipper is to be determined in accordance with the STTM Procedures.

(4) AEMO must reject a proposed market schedule variation if it does not comply with the requirements of subrule (2) or the STTM Procedures.

(5) Unless AEMO rejects a proposed market schedule variation under subrule (4), AEMO must:

(a) if the originating STTM Shipper and receiving Participant are the same Trading Participant – use that market schedule variation in determining the modified market schedule; or

(b) if the originating STTM Shipper and receiving Participant are not the same Trading Participant – make the details of the proposed market schedule variation available to the receiving Participant as soon as practicable for confirmation in accordance with the STTM Procedures, and:

- 
- (i) if the receiving Participant confirms the proposed market schedule variation in accordance with the STTM Procedures ~~before 5:00pm on the 4th gas day after the gas day to which that market schedule variation relates~~, AEMO must use that confirmed market schedule variation in determining the modified market schedule; or
- (ii) in any other case, the proposed market schedule variation will expire and must not be used by AEMO in determining the modified market schedule.
- (6) AEMO must make information regarding the status of a proposed market schedule variation available to the originating STTM Shipper and the receiving Participant in accordance with the STTM Procedures ~~until 5:00pm on the 4th gas day after the gas day to which that market schedule variation relates~~.

## Appendix III: Draft STTM Procedure changes

This appendix outlines the proposed draft changes to the STTM Procedures.

### STTM Procedures

#### 7.3 Market schedule variations

(aa) For the purposes of rule 423(1), a market schedule variation may be submitted:

(i) after 1:00pm on the immediately preceding gas day, and

(ii) before 5:00pm on the 7th gas day after the gas day to which that market schedule variation relates.

**Note:** The *originating STTM Shipper* will need to allow sufficient time for the *market schedule variation* to be confirmed by any other *Trading Participant* in the same timeframe under paragraph (g).

(a) For the purposes of rule 423(2)(a), information required about the nature and quantity of the proposed *market schedule variation* is:

- (i) the *gas day* to which the proposed *market schedule variation* relates;
- (ii) the quantity of the proposed *market schedule variation*, which must be a positive value expressed in GJ; and
- (iii) whether the quantity of the proposed *market schedule variation* is to increase or decrease the *modified market schedule quantity* of the *originating STTM Shipper*.

(b) For the purposes of rule 423(2)(b), the information required about the *originating STTM Shipper* is:

- (i) the *identifier* of the *originating STTM Shipper*;
- (ii) whether the proposed *market schedule variation* relates to gas:
  - (A) supplied to the *hub*; or
  - (B) withdrawn from the *hub*, by the *originating STTM Shipper*; and
- (iii) the *STTM facility* in respect of which the *modified market schedule quantity* of the *originating STTM Shipper* is to increase or decrease by the quantity in the proposed *market schedule variation*.

(c) For the purposes of rule 423(2)(c), the information required about the receiving *Participant* is:

- (i) the *identifier* of the *receiving Participant*;
- (ii) whether the proposed *market schedule variation* relates to the *receiving Participant* as an:
  - (A) *STTM Shipper* supplying gas to the *hub*; or
  - (B) *STTM Shipper* withdrawing gas from the *hub*; or
  - (C) *STTM User*; and
- (iii) where the proposed *market schedule variation* relates to gas:

- (A) supplied to the hub by the *originating STTM Shipper*; and
- (B) withdrawn from the hub by the *receiving Participant* as an *STTM Shipper*, the *STTM facility* in respect of which the *modified market schedule quantity* of the *receiving Participant* is to increase or decrease by the quantity in the proposed *market schedule variation*.
- (d) Except in the circumstances described in clause 7.3(c)(iii), AEMO must assume that:
- (i) if the proposed *market schedule variation* relates to the *receiving Participant* as an *STTM User*, the *STTM distribution system* in respect of which the *modified market schedule quantity* of the *receiving Participant* is to increase or decrease under the proposed *market schedule variation* is the *STTM distribution system* at the hub to which the *STTM facility* specified under clause 7.3(b)(iii) is connected; or
- (ii) if:
- (A) the proposed *market schedule variation* relates to the *receiving Participant* as an *STTM Shipper* supplying gas to the *hub*; or
- (B) the proposed *market schedule variation* relates to both the *originating STTM Shipper* and the *receiving Participant* as *STTM Shippers* withdrawing gas from the *hub*,
- the *STTM facility* in respect of which the *modified market schedule quantity* of the *receiving Participant* is to increase or decrease under the proposed *market schedule variation* is the *STTM facility* specified under clause 7.3()(iii).
- (e) For the purposes of rule 423(3), when both the *originating STTM Shipper* and the *receiving Participant* are *STTM Shippers* and the proposed *market schedule variation* relates to:
- (i) one *STTM Shipper* supplying gas to the *hub* and the other *STTM Shipper* withdrawing gas from the *hub*, the *STTM Shipper* that is supplying gas to the *hub* must be the *originating STTM Shipper*; or
- (ii) both *STTM Shippers* supplying gas to the *hub*, the *STTM Shipper* that is to increase its *modified market schedule quantity* for flow to the *hub* must be the *originating STTM Shipper*; and
- (iii) both *STTM Shippers* withdrawing gas from the *hub*, the *STTM Shipper* that is to increase its *modified market schedule quantity* for flow from the *hub* must be the *originating STTM Shipper*.
- (f) The *originating STTM Shipper* must ensure that both the *originating STTM Shipper* and the *receiving Participant* have *registered trading rights* that are consistent with the increase or decrease in their respective *modified market schedule quantities* under the proposed *market schedule variation*.
- (g) For the purposes of rule 423(5):
- (i) the details to be made available by AEMO to the *receiving Participant* are the details provided for in rule 423(2), which includes those detailed in this clause-; and

- (ii) the receiving Participant is to confirm the proposed market schedule variation before 5:00pm on the 7th gas day after the gas day to which that market schedule variation relates.
- (h) For the purposes of rule 423(6), AEMO must make information regarding the status of a proposed market schedule variation available to the originating STTM Shipper and the receiving Participant until 5:00pm on the 7th gas day after the gas day to which that market schedule variation relates.

## Appendix IV: Feedback from consultation

Feedback discussed and received at the STTM-CF meetings of 31 January and 1 March 2011 are summarised in the meeting minutes. In general there was support for the proposal.

Table 1 summarises the feedback received from stakeholders in response to AEMO consultation documents circulated to the STTM-CF on 11 March 2011.

*Table 1: Comments in response to 11 March 2011 consultation*

<b>Participant</b>	<b>Feedback</b>
APG	<i>The proposed change by the STTM CF is reasonable and beneficial to the industry. We support it.</i>
Adelaide Brighton Cement	<i>ABCL supports the proposed amendment and is happy with the drafting.</i>
OneSteel	<i>Currently the time period for an MSV is 4 days with the close at 5pm. OneSteel would support an increase in the number of days to undertake an MSV to 7 days. Over the Easter period there is a period of office closure of 4 days and in the event of Christmas and Boxing Day being on or adjacent to a weekend, the same would apply. It makes sense to increase the time period whereby STTM participants have longer than 4 days to undertake a Market Schedule Variation and it would be a positive change in the market.</i>

AEMO also undertook public consultation. On 4 April 2011, AEMO released the rule change proposal for public consultation seeking comment by 18 April 2011. AEMO received no submissions.

## Glossary

Abbreviation	Explanation
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
MOS	Market Operator Service
MSV	Market Schedule Variation
NGL	National Gas Law
NGO	The National Gas Objective as stated in section 23 of the NGL, being “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”
NGR	National Gas Rules
STTM	Short Term Trading Market
STTM-CF	Short Term Trading Market Consultative Forum