



Matched Allocation Process in the Short Term Trading Market

Publication of final rule determination and final rule

The AEMC has made a final rule that enables the distributor for NSW Gas Networks to continue to utilise either of two available methods to manage its network's daily gas needs for operational requirements.

The Commission's decision

The Commission's final rule enables Jemena Gas Networks (NSW) Ltd (Jemena), as the operator of the NSW Gas Network,¹ to continue to utilise either the matched allocation process or the STTM on an ongoing basis, for the purpose of meeting its network's daily gas needs for operational requirements.

Reasons for the Commission's decision

The Commission considers the final rule is in the long term interests of natural gas consumers. Enabling Jemena to continue to utilise the matched allocation process will assist it to better manage its obligations under its Access Arrangement and gas Retail Market Procedures to replace unaccounted for gas² in its distribution network, given the role of the distributor and specific treatment of unaccounted for gas in the NSW gas retail market. This would support the efficient operation and use of natural gas services with respect to the price of natural gas.

The reasons for the Commission's final decision are: unaccounted for gas in the NSW gas retail market cannot be forecast accurately on a daily basis; the overall quantity of unaccounted for gas is relatively small; and access to reliable and updated information is required to be able to participate effectively in the STTM and appropriately manage any potential exposure to trading risk.

The final rule

The matched allocation process is a process specified in the National Gas Rules (NGR) that excludes gas quantities, supplied to Jemena for operational requirements for its NSW Gas Network, from the settlement of the Sydney STTM. The matched allocation process was a transitional provision in the NGR that was set to expire on 30 June 2015.

The final rule effectively moves the transitional provisions relating to the matched allocation process from Schedule 1, to Part 20, of the NGR and omits the expiry date. This makes the matched allocation process a permanent arrangement in the NGR from 28 May 2015. The effect of this is to enable Jemena to continue to utilise either of two available methods to manage its network's daily gas needs for operational purposes.

The final rule is consistent with the draft rule and Jemena's proposed rule, with some minor amendments to improve the clarity of the proposed rule based on stakeholder feedback.

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¹ The NSW Gas Network consists of the NSW Distribution System, the Wilton-Newcastle trunk line, the Wilton-Wollongong trunk line and the Central West Distribution System.

² The NGR refers to the gas procured by Jemena as being "natural gas purchased by Jemena to meet the operational requirements of its STTM distribution system". In effect, the gas procured by Jemena under this provision largely refers to "unaccounted for gas", which is a term used in Jemena's Access Arrangement and describes the gas that is lost in Jemena's distribution network whilst under its custody.