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| **GAS SUPPLY HUB EXCHANGE AGREEMENT**  **IMPACT & IMPLEMENTATION REPORT – SUMMARY SECTION** |

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| **Issue Number** | GSH IIR | | | |
| Impacted  Jurisdiction (s) | Queensland  All GSH Trading Locations | | | |
| Proponent | Roy Kaplan | Company | Australian Energy Market Operator | |
| Affected Gas Markets(s)   * Retail * Wholesale * Bulletin Board * STTM | Gas Supply Hub | Consultation process (Ordinary or Expedited) | Ordinary | |
| Industry Consultative forum(s) used | GSH Reference Group | Date Industry Consultative forum(s)consultation concluded | 6 September 2017 | |
| Short Description of change(s) | Amendments to the Gas Supply Hub Exchange Agreement to allow enhancements for products at the Moomba trading location as well as an extension to the Trading Window for daily and weekly pre-matched products. | | | |
| Procedure(s) or Documentation impacted | Gas Supply Hub Exchange Agreement | | | |
| Summary of the change(s) | Amendments to the Gas Supply Hub Exchange Agreement to allow –   * Introduction of an IPT delivery point for the MAPS product. * Introduction of non-netted product for Moomba for off market trading. * Removal of existing delivery points (Moomba Gas Plant and QSN) from the MAPS ‘screen-traded’ product – although these would still be available for the new Moomba non-netted product. * Extension of the trading window for Daily and Weekly pre-matched products at Wallumbilla and Moomba out to 90 days. | | | |
| I&IR Prepared By | Angelo Mantsio | Approved By | | Peter Geers |
| Date I&IR published | 12 December 2017 | Scheduled date for end of consultation under EA 3.3, 3.4 or 3.6 | |  |
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| **IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION** |

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| **CRITICAL EXAMINATION OF PROPOSAL** | |
| 1. Description of change(s) and reasons for change(s) | In-Pipe Trade delivery point on MAPS Trading participants currently intending to bid for gas at the MAPS trading location are required to warrant that they can receipt gas at two delivery points.   * Moomba physical point: which is the inlet at the Moomba Gas Plant into MAPS; and * QSN point: which is the physical receipt point from the South-West Queensland Pipeline (SWQP) Moomba APA Compound.   Market participants intending to offer gas at one of these delivery points also have to warrant that they can deliver the gas and transfer title.  Complexity around the allocation of gas at these delivery points is believed to be impacting trading at the MAPS trading location. The facility operator of MAPS has recently implemented an IPT delivery point to facilitate title transfer on the pipeline. Industry feedback to AEMO on the change has identified that this new point would assist in the facilitation of GSH trading at the MAPS trading location by simplifying title transfer.  Notional trading points similar to the MAPS IPT account for over 90% of GSH trades, suggesting a preference by participants in the GSH to use notional trading points.  *The proposal would be for the MAPS IPT Delivery Point to be defined as the notional delivery point immediately downstream of the Moomba Gas Plant Receipt Point at which gas is deemed to be delivered pursuant to the MAP IPT Service on a Gas Day.*  Given the preference by trading participants to use notional trading points in the GSH, it has also been proposed to designate MAPS IPT delivery point as the single delivery point for the MAPS trading location. This may help to reduce uncertainty for buyers around the location for title transfer. The Moomba Gas Plant and QSN delivery points would continue be made available through the proposed Moomba non-netted product. Moomba Non-Netted product GSH non-netted products provide trading participants the ability to register a pre-matched trade that would not be included in the gas delivery netting and matching process. The delivery obligations (including delivery counterparts and delivery point) for a trade in the non-netted product would be as per the details registered for the pre-matched trade. This provides participants with certainty of the delivery point and delivery counterpart post transaction that may be of assistance in structuring bespoke trades. Currently, non-netted products are only available for Wallumbilla delivery points.  The proposed introduction of non-netted products at Moomba aims to provide participants with greater flexibility in trading at Moomba and to further assist in the facilitation of trading at this location. Extension of Trading Window A product’s Trading Window is defined within the Exchange Agreement as “the period which Transactions may be formed for a particular Product and Delivery Period, as specified in the Product Specification”. The Trading Window for a product therefore defines how far forward a product can be traded at a given point in time.  The GSH trading screen comprises a number of products (On-the-Day, Daily, Weekly and Monthly) of varying Trading Windows with the aim to provide trading participants with a suitable suite of products to manage their forward gas positions without overly splitting liquidity over the delivery periods.    In October 2015 the Trading Window for Daily pre-matched trades was extended from D-7 to D-30, to provide greater flexibility for participants to manage forward positions. Subsequent feedback from participants was for a preference to further extend the Trading Window for Daily pre-matched trades to D-90 and also extend the Trading Window for Weekly pre-matched trades to D-90. It was suggested that this would assist in the trading of temporal swaps and in managing planned outages. |
| 2. Reference documentation   * Exchange Agreement * Other | Exchange Agreement  **Proposal:** Inclusion of a MAPS IPT Delivery Point in “Schedule 3: Trading Locations and Delivery Points (Moomba)”.  **Proposal:** Removal of the following two Delivery Points –   * Moomba physical point: which is the inlet at the Moomba Gas Plant into MAPS; and * QSN point: which is the physical receipt point from the South-West Queensland Pipeline (SWQP) Moomba APA Compound.   And, inclusion of the MAPs IPT Delivery Point to –  Schedule 9: Product Specification for Daily Gas (Moomba)  Schedule 12: Product Specification for Weekly Gas (Moomba)  Schedule 13: Product Specification for Monthly Gas (Moomba)  Schedule 26: Product Specification for Day Ahead Netted Gas (Moomba)  Schedule 27: Product Specification for Day Ahead Non-Netted Gas (Moomba)  Schedule 28: Product Specification for On-the- Day Physical Gas (Moomba)  **Proposal:** Moomba Non-Netted Products – See Attachment B  **Proposal:** Extending of the Trading Window for Pre-matched trades to D-90 for the products in the following Schedules –  Schedule 22: Product Specification for Daily Gas (Wallumbilla)  Schedule 21: Product Specification for Weekly Gas (Wallumbilla)  Schedule 9: Product Specification for Daily Gas (Moomba)  Schedule 12: Product Specification for Weekly Gas (Moomba) |
| 3. The high level details of the change(s)  including:   * A comparison of the existing operation with changed operation * A marked up version as amended (see Attachment A) | **Moomba Enhancements**  Current Operation  Under the current market framework, participants intending to bid for gas at the MAPS trading location are required to warrant that they can receipt gas at two delivery points.   * Moomba physical point: which is the inlet at the Moomba Gas Plant into MAPS; and * QSN point: which is the physical receipt point from the South-West Queensland Pipeline (SWQP) Moomba APA Compound.   Market participants intending to offer gas at one of these delivery points also have to warrant that they can deliver the gas and transfer title. Determination of the Delivery Points in the delivery obligations would be as per the seller’s nomination.  The current market framework also only allows for Day-Ahead and On-the-Day contracts to be non-netted at the Moomba trading location.  Proposed Operation  Under the proposed amendment, participants trading at the MAPS Trading Location will consist of a single delivery point, therefore requiring participants to warrant that they able to deliver and receive gas and transfer title at only a single Deliver Point, this being the MAPS In-Pipe Trade Point: *defined as the notional delivery point immediately downstream of the Moomba Gas Plant Receipt Point at which gas is deemed to be delivered pursuant to the MAP IPT Service on a Gas Day.*  This will provide greater delivery point certainty at the MAPS trading location.  Trading Participants will also be able to transact pre-matched non-netted contracts at the Moomba trading locations for all tenors including at the ‘Moomba physical point’ and ‘QSN point’. Extension of Trading Window Current Operation  A product’s Trading Window is defined within the Exchange Agreement as “the period which Transactions may be formed for a particular Product and Delivery Period, as specified in the Product Specification”. The Trading Window for a product therefore defines how far forward a product can be traded at a given point in time.  Under the current market framework, the Trading Window for Daily Pre-matched products is for Gas Day D-30 to Gas Day D-2, and for Weekly products for a Delivery Period commencing on Gas Day D, for Gas Day commencing 4 weeks prior to Gas Day D and ending on D-2.  Proposed Operation  Under the proposed amendment, the Trading Window for Daily Pre-matched products would be extended for Gas Day D-90 to Gas Day D-2, and for Weekly Pre-matched products for Gas Day D-90 to D-2. |
| 4. Assessment of significant of change  (eg: material, non-material or non-substantial) | The proposed amendment is a non-material change to current market operations but provide greater flexibility with existing products. |

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| **ASSESSMENT OF LIKELY EFFECT OF PROPOSAL** | |
| 5. Overall Industry Cost / benefit (tangible / intangible / risk) analysis and/or cost estimates | AEMO anticipated no material implementation costs to gas trading exchange members with this proposal. Some participants trading on MAPS trading location may require the inclusion of the MAPS IPT Delivery Point in their Gas Transport Agreement. |
| 6. The likely implementation effect of the change(s) on stakeholders  (e.g. Industry or end-users) | Incorporated in section 5 above  The proposed amendment should provide participants additional flexibility in the trading of existing products and operations. |
| 7. Testing requirements | Incorporated in section 6 above |
| 8. AEMO's preliminary assessment of the proposal's compliance with rule 540(1) NGR:  - consistency with NGL and NGR,  - appropriate with regard to national gas objective  - appropriate with regard to likely compliance costs for Operator or Members | Consistency with NGL and NGR  The NGR provisions relating to the gas trading exchange requires the Exchange Agreement to set out, amongst other things, a description of the products offered on the exchange and process for amending the Exchange Agreement.  National Gas Objective  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.  Potential compliance costs  AEMO believes the costs to gas trading exchange members in implementing this proposal are minimal. AEMO does not believe there will be any ongoing costs to gas trading exchange members to comply with this proposal. |
| 9. Consultation Forum Outcomes  (e.g. the conclusions made on the change(s) whether there was unanimous approval, any dissenting views) | AEMO presented a Discussion Paper to the Gas Supply Hub Reference Group meeting on the 6th September 2017.  Feedback was supportive of the proposed changers. |

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| **RECOMMENDATION(S)** | |
| 10. Should the proposed changes be made, (with or without amendments)? | AEMO recommends that the proposal should be implemented. |
| 11. If applicable, a proposed effective date for the proposed change(s) to take effect and justification for that timeline. | Proposed implementation date is 10 February 2018 |

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| **ATTACHMENT A** |

**Schedule 3: Trading Locations and Delivery Points (Moomba)**

**2. Trading Locations and Delivery Points**

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| **Trading Location** | **Delivery Point** | **Delivery Point Definition** |
| MAP Trading Location  (Moomba transfer points on the MAP) | Moomba | Interconnection of the Moomba Gas Plant and MAP |
| QSN | Interconnection of the QSN and MAP |
| MAP In Pipe Trade Point (IPT) | The notional delivery point immediately downstream of the Moomba Gas Plant Receipt Point at which gas is deemed to be delivered pursuant to the MAP IPT Service on a Gas Day. |
| MSP Trading Location  (Moomba transfer points on the MSP) | Moomba Gas Plant | Interconnection of the Moomba Gas Plant and SWQP at Moomba |
| Moomba Compound notional trade point | Any notional trading point within the SWQP Moomba Compound nominated by the Gas Transporter at which transfers of title in gas can be effected |

The Product Specifications in the schedules listed below will be amended:

* Schedule 9: Product Specification for Daily Gas (Moomba)
* Schedule 12: Product Specification for Weekly Gas (Moomba)
* Schedule 13: Product Specification for Monthly Gas (Moomba)
* Schedule 26: Product Specification for Day Ahead Netted Gas (Moomba)
* Schedule 27: Product Specification for Day Ahead Non-Netted Gas (Moomba)
* Schedule 28: Product Specification for On-the- Day Physical Gas (Moomba)

Each Product Specification will be amended as shown below:

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| Delivery Point | The MAP Trading Location, at the Delivery Point specified in the Order, being ~~one of~~ the following:   * ~~Moomba~~ * ~~QSN~~ * MAP In Pipe Trade Point   as defined in schedule 3 for the MAP Trading Location. |

Schedule 22: Product Specification for Daily Physical Gas (Wallumbilla)

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| Trading Window | For Gas Day D, Trading Hours on each of Gas Day D-7 to Gas Day D-2.  For a Pre-matched Trade where the Trading Participants have specified that Delivery Netting is not to apply, the Trading Window for Gas Day D are Trading Hours on each of Gas Day ~~D-30~~ D-90 to Gas Day D-2. |

Schedule 9: Product Specification for Daily Gas (Moomba)

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| Trading Window | For Gas Day D, Trading Hours on each of Gas Day D-7 to Gas Day D-2.  For a Pre-matched Trade where the Trading Participants have specified that Delivery Netting is not to apply, the Trading Window for Gas Day D are Trading Hours on each of Gas Day D-90 to Gas Day D-2. |

The Product Specifications in the schedules listed below will be amended:

* Schedule 21: Product Specification for Weekly Gas (Moomba)
* Schedule 12: Product Specification for Weekly Gas (Moomba)

Each Product Specification will be amended as shown below:

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| Trading Window | For a Delivery Period commencing on Gas Day D, Trading Hours on each Gas Day commencing 4 weeks prior to Gas Day D and ending on D-2.  For a Pre-matched Trade where the Trading Participants have specified that Delivery Netting is not to apply, the Trading Window for Gas Day D are Trading Hours on each of Gas Day D-90 to Gas Day D-2. |

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| **ATTACHMENT B** |