GWCF briefing

DWGM rule changes

Agenda

1. Brief outline of the changes
2. Implementation timeline
    1. New and changed Procedures
    2. Market systems development
    3. Initial modelling
    4. Initial auctions
3. Next steps – GWCF WG

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Disclaimer

- Any summary of the rule changes in this presentation is for general information only, and should not be considered a comprehensive guide to the changes
- GWCF members should refer to the new rules and ensure they understand the impact of the new rules on their business

The rule change decisions are on the AEMC website

- https://www.aemc.gov.au/rule-changes/dwgm-simpler-wholesale-price
- https://www.aemc.gov.au/rule-changes/dwgm-improvement-amdq-regime

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AEMC has published final rules

- Effective 19 March 2020
  - Transitional rules
- Effective 31 March 2020
  - Application of constraints
- Effective 1 January 2023
  1. DWGM improvement to AMDQ regime
  2. DWGM simpler wholesale price
- Note that these rules are designed to be implemented in this order
  - Some changes made in AMDQ regime rules are deleted in simpler wholesale price rules
  - MP are advised to apply the changes sequentially, and to update if Part 19 of the NGR changes before 1 Jan 2023
  - AEMC is unlikely to publish consolidated rules until Jan 2023 <confirm>

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Application of constraints

- This rule results from EA's proposal to GWCF and AEMO's rule change request of November 2016
- The change will mean that transmission constraints that limit the ability to withdraw gas at biddable system withdrawal points will be taken into account in both the pricing and operation schedules.
  - Currently constraints are only considered for operating schedules
- AEMO has initiated an abbreviated consultation on changes to Gas Scheduling Procedures
  - MP have been consulted through GWCF and AEMC rule change process
  - Transitional rule allows for this

Improvement to AMDQ regime 1

- Retires authorised MDQ and AMDQ CC at end of gas day 31 Dec 2022
  - Consequential deletion of rules referencing them or associated with them
- Creates new Entry and Exit capacity certificates
  - AEMO will maintain registry of CC holdings
  - AMDQ CC allocated past 31 Dec 2022 are converted to equivalent entry CC
- Entry and exit CC:
  - Apply to zones determined by AEMO after consultation with MP
  - Provide tie breaking rights at relevant system points within the zone only
  - Are available for purchase at regular auctions by eligible persons
    - available as a monthly tenor i.e. a monthly product
  - Multiple auctions per product tenor (with exception of initial tenors)
    - Mix of long and short lead times
  - CC held are transferrable to other eligible persons following bi-lateral trading

Improvement to AMDQ regime 2

- AEMO to model system capacity to support entry and exit certificates
- AEMO to develop procedures to cover:
  - Consultation requirements for entry and exit CC zones
  - Modelling capacity
  - Determining capacity to be included in each auction.
    - The capacity available for the final auction may vary from initial modelled capacity as assumptions change, and the impacts of maintenance are potentially taken into account
  - Process for CC auctions, including:
    - Frequency and lead time for auctions (mix of long and short lead times)
    - Billing and settlement for successful auction bids (separate to DWGM market settlements)
    - Eligibility for participation
  - Transfer of CC between eligible persons including
    - Listing service for prospective buyers or sellers.

Improvement to AMDQ regime 3

- In some circumstances, DTS SP can direct the allocation of CC to eligible persons
  - Where AER has determined that an expansion has not been added to capital base
- CC held by someone who ceases to be an eligible person are re-allocated via the auction process
- Removes requirement for AEMO to curtail those sites without AMDQ first (Table zero)
  - Curtailment now addressed in Emergency Procedures only

Improvement to AMDQ regime 4

- Transitional rules cover timings to transition to new rules by
  - 1 Jan 2022 – review and publish revisions to existing Procedures
  - 31 Mar 2022 – systems capability modelling
  - 31 Mar 2022 – publish new Procedures
  - 31 Mar 2022 – publish new capacity zones
  - 1 October 2022 – first auction notice
    - Rule requirement that an auction is conducted 20 business days after the auction notice
  - End gas day 31 Dec 2022 – all authorised MDQ and AMDQ CC expire
- Transitional rules allow some AMDQ CC issued until 30 June 2023 to be converted into relevant Entry CC and allocated to relevant MP and expire at the same time

Simpler wholesale price

- Removes components of Ancillary Payments & Uplift Payments associated with authorised MDQ and AMDQ CC
  - Injection hedge nomination / agency injection hedge nomination
  - AMIQ and AMIQ profiles
  - Congestion uplift
- Uplift payments now determined as per Uplift Procedures
  - Recover uplift payments by category on cost to cause basis as far as is practicable
  - DTS SP uplift is only category specified in rules
  - Congestion uplift cannot be determined with removal of AMDQ
  - Rules set high level principles for Uplift Procedures

Implementation

Application of constraints

- AEMO has initiated an abbreviated consultation on changes to Gas Scheduling Procedures
  - Transitional rules permit an abbreviated consultation
  - No changes to any market participant interactions with AEMO
- AEMO has made and tested minor changes to internal market systems to implement these changes with effect from 31 March 2020

- Market Participants need to consider the impact on their bidding behaviour at relevant system withdrawal points.

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DWGM Enhancements project

- AEMO will not be running separate projects for each rule change
  - All remaining rule changes are intrinsically interlinked and will be consolidated into one project
- AEMO is currently standing up a project
  - This project will align with the mandatory dates set in the transitional arrangements
    - Design & Regulatory phase
    - Market Systems & process development phase
    - Implementation phase

COVID19 Impact

- It is possible that AEMO's response to the COVID19 pandemic may require changes to dates set out in this presentation.
- AEMO may delay the start of the project and compress the timelines
- AEMO will keep stakeholders informed

Design & Regulatory phase

- This phase is expected to run from Q2 2020 until Q2 2021, with focus on:
  1. Auction & capacity certificate processes
     - Auction parameters
     - Auction clearing design
     - Payments & reporting
     - Listing & transfers of CC
     - Tie breaking and reporting
  2. Capacity processes
     - Modelling
     - Determining capacity available for each auction
     - Determining CC zones
  3. Ancillary and Uplift payments
     - Changes to AP
     - UP categories and algorithms to determine payments
  4. Other affected Procedures
     - Gas Scheduling Procedures (for example)
- Once market design has been finalised, relevant DWGM Procedures developed/updated
  - Expectation is that all consultations will run concurrently during Q1 2021
  - Well ahead of latest requirement in rules

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Market systems & processes

- AEMO market system & process changes will be needed to implement the rules and market procedures
- Implementation dates will vary depending on rules requirements
  - System capability modelling and capacity certificate zones by 31 Mar 2022
  - Auction notices by 1 October 2022, with auction 20 business days after notices
- AEMO will seek input from market participants on most appropriate implementation dates within NGR constraints

Industry readiness coordination

- AEMO anticipates that an industry readiness programme will include:
  - Training:
    - New capacity certificates auctions
    - Changes to ancillary and uplift payments
    - Changes to market operations (eg tie breaking)
    - Changes to WebExchanger
  - Market trial period:
    - auction systems
    - capacity listing and transfer systems
  - Monitoring participant readiness
  - Updating market guides
  - Cutover planning for Sunday 1 Jan 2023

Next steps

Formation of GWCF working group

- AEMO will form DWGM Enhancement WG as sub group of GWCF
  - One WG as all changes inter-related
  - Chaired by AEMO
- WG will provide input to market designs and initial drafts of relevant Procedures
  - Procedures will then follow ordinary process for making procedures
- Membership by nomination
  - Members should be able to provide meaningful input to market design
- AEMO anticipates monthly meetings commencing late April/early May
  - Each meeting will cover 4 areas flagged earlier
    - Sub groups may meet more frequently depending on need
  - In line with current AEMO policy, meetings will be via WebEx only for immediate future

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Timeline – Design & Regulatory

Market design Q2 – Q4 2020

Market Procedures – Q4 2020

Procedure Consultation – Q1 2021

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