

STTM Overview

Australian Energy Market Forum

October 2009

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#291799 Overview of STTM - Australian Energy Market Forum October 2009

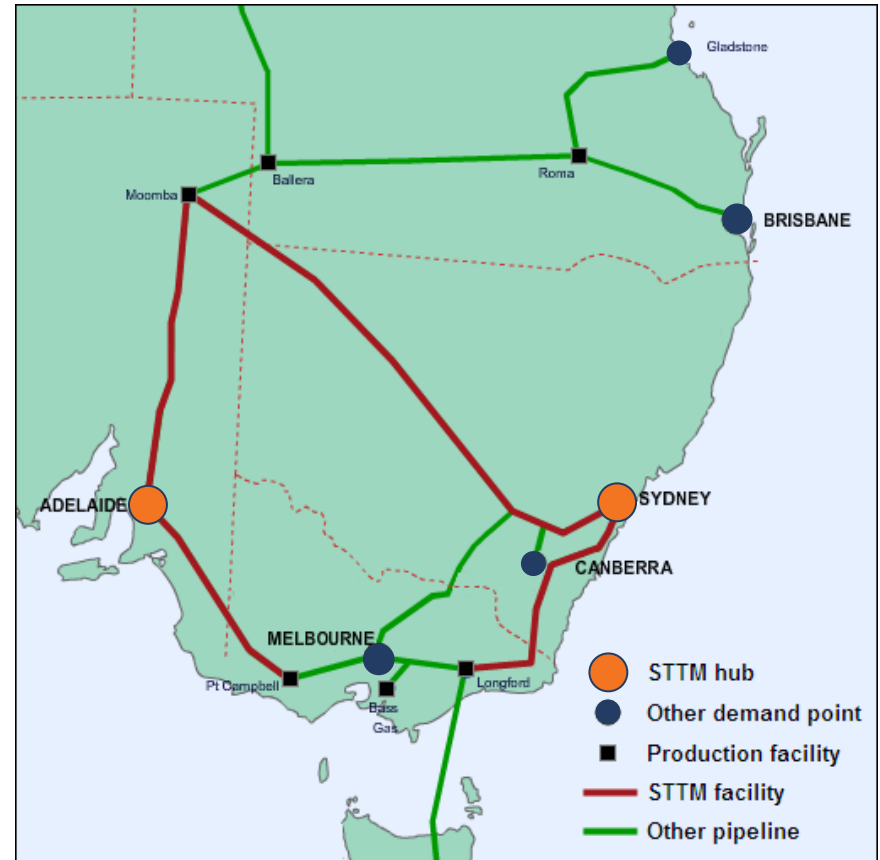
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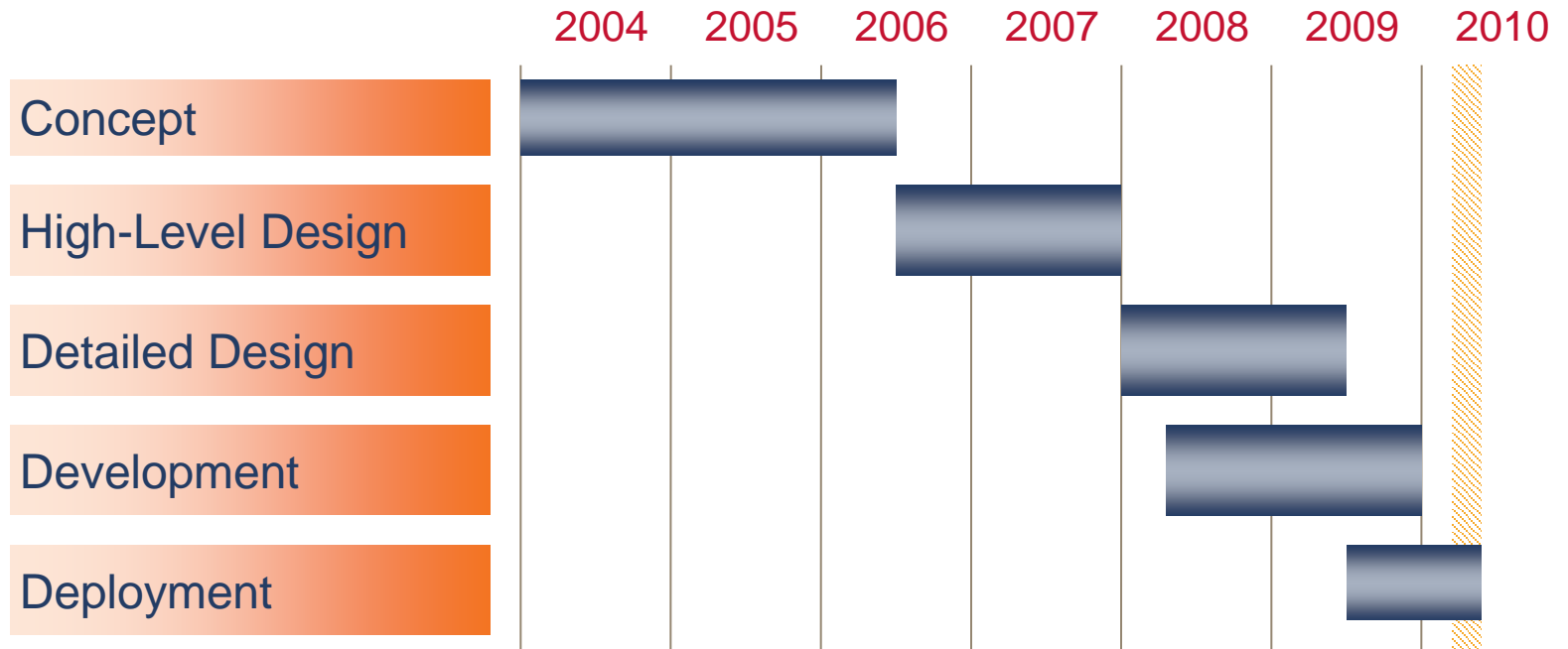
1. Short Term Trading Market (STTM)
2. Development and Governance of STTM
3. Key arrangements for STTM
4. Operation of the STTM
 - Pricing & Scheduling
 - Market Operator functions
 - Settlement cycles
5. Implementation

What Is the STTM?

- Daily market for trading natural gas at the wholesale level
 - Shippers on transmission pipelines
 - Users on distribution networks
- Initial hubs in Sydney and Adelaide
 - Review of additional hubs by 2011
- Hubs are independent but operate under same rules



Development of STTM



- MCE sets high-level principles for gas market reform
- MCE establishes GMLG
- GMLG endorses and MCE approves high-level design
- GMLG endorses and MCE approves detailed design
- AEMO commences and assumes control of STTM Establishment Project

Market operator:

Australian Energy Market Operator

Three levels of regulatory instrument:

National Gas Law

National Gas Rules

STTM Procedures

Regulatory bodies:

Australian Energy Market Commission

Australian Energy Regulator

- AEMO is the market operator and not a system operator
 - AEMO is not responsible for system security, but plays a coordinating role in times of shortfall
- Contract carriage arrangements are preserved
 - Asset owners continue to operate and schedule their own assets
- STTM recognises existing contractual arrangements for haulage priority and capacity
 - Non-firm shippers compensate firm shippers for use of their capacity
- Limits are placed on prices to protect participants from risk of unexpected and extreme pricing

- Bids, Offers and Price Taker Bids submitted
 - Day ahead market schedule and ex ante market price
 - Scheduled in price order such that supply meets demand
- Shippers deliver gas to hub
 - Via contractual arrangements with pipelines and producers
 - Variations to market schedule possible
- Users take gas to meet actual demand
- Actual quantities of gas set by allocation
- Deviations apply where actual quantities different to scheduled quantities (adjusted for variations)
 - Deviation price less advantageous to provide incentive

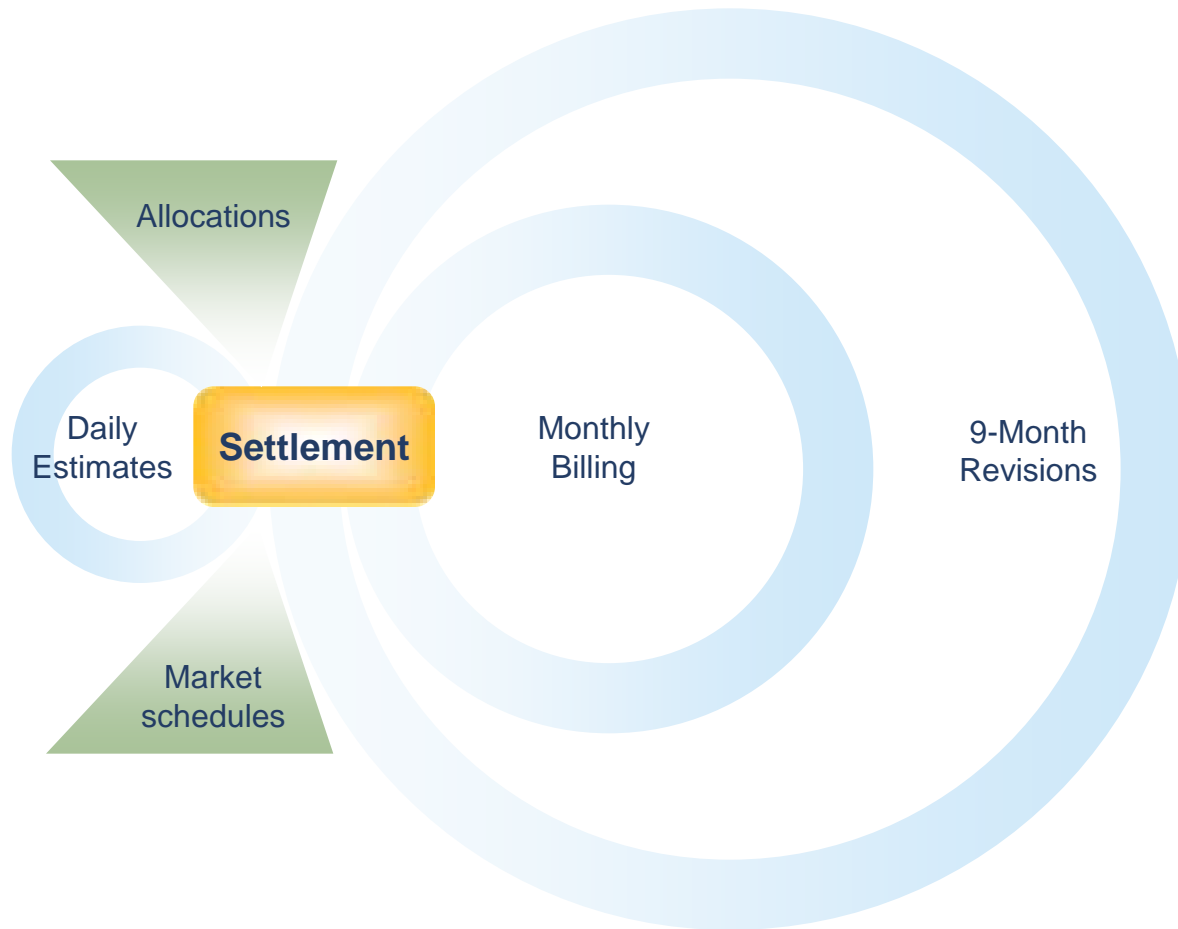
Market Operator Service (MOS)

- Allows physical balancing between deliveries requested by shippers and actual deliveries made during a gas day
- Offered by shippers to increase / decrease flows to hub
- MOS is allocated to offers in price order by pipeline operator
- Paid 'as bid' for capacity and at D+2 price for gas

Contingency Gas

- Contingency bids and offers submitted daily
- Triggered events or when STTM unable to balance supply with demand
- AEMO leads consultative process to assess and resolve
- Those able to respond are scheduled in price order and paid for scheduled quantity

Settlement Cycles



Market Trial

- 1 March 2010 to 3 June 2010
- Full-scale dry-run of systems without financial impact
- Registration of participants, facilities and contracts
- Evaluating and refining internal business processes

Go Live

- Bids and offers from 1 June 2010
- First market schedule issued 3 June 2010
- First gas day 4 June 2010

Questions?

www.aemo.com.au

> Gas Market Operations

> STTM