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

|  |  |
| --- | --- |
| **Issue Number** | GSH IIR 014 |
| ImpactedJurisdiction (s) | QueenslandAll 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 | 25 July 2018 |
| Short Description of change(s) | Amend the variable fee for trades in Spread Products specified in the Gas Supply Hub - Exchange Fees methodology. |
| Procedure(s) or Documentation impacted | Gas Supply Hub - Exchange Fees. Amend the variable fee for trades in Spread Products.  |
| Summary of the change(s) | Amend the variable transaction fee so that it is payable on the volume of orders matched in a Spread Product.  |
| I&IR Prepared By | Mark Anderson | Approved By | Peter Geers |
| Date I&IR published | 20 August 2018 | Scheduled date for end of consultation under EA 3.3, 3.4 or 3.6  | 17 September 2018 |
| Email address for responses  | Hub\_Reference@aemo.com.au |
| AEMO contact for enquiries | Roy Kaplan – 03 9609 8331    |

|  |
| --- |
| **IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION** |

|  |
| --- |
| **CRITICAL EXAMINATION OF PROPOSAL** |
| 1. Description of change(s) and reasons for change(s) | Currently, GSH Trading participants are charged a variable fee on both legs (base and premium product) of a spread trade, ranging from $0.03/GJ for a daily trade to $0.01/GJ for a monthly trade.AEMO has received feedback that this doubling up of variable transaction fees can act as a deterrent to trades in spread products. AEMO proposes a change in the GSH spread fee methodology such that the variable transaction fee is only charged on 1 leg of a spread trade. AEMO expect the proposed change to provide the trading participants with an incentive to increase trading volumes. And in turn, aid efficient pricing and market transparency. Under the proposed change, Trading participants would be credited with a rebate on their monthly GSH settlements invoice so that their variable transaction fee is charged on the spread product volume.  |
| 2. Reference documentation* Exchange Agreement
* Other
 | Gas Supply Hub – Exchange Fees**Proposal:** Amend the GSH - Exchange Fees to introduce a rebate for 1 leg of a Spread Trades variable fee in the form of a monthly Rebate |
| 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 section 1)
 | Current methodologythe Variable Transaction Fee in relation to the matching of orders in a Spread Product is payable on each Moomba and Wallumbilla transaction.Proposed methodologythe Variable Transaction Fee in relation to the matching of orders in a Spread Product is payable on only 1 leg of each Moomba, Wallumbilla or South East Queensland transaction. |
| 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 with no impact on existing products.  |

|  |
| --- |
| **ASSESSMENT OF LIKELY EFFECT OF PROPOSAL** |
| 5. Overall Industry Cost / benefit (tangible / intangible / risk) analysis and/or cost estimates  | Costs:* AEMO anticipate no implementation costs to gas trading exchange members with this proposal.

Benefits:* Reduced Participant’s variable trading fees depending on the number of spread trades executed
* Encourage increased submission of spread product orders and enhances liquidity of the commodity products, which in turn aids pricing efficiency and increases market transparency.

Risks* There is a risk that the proposed change does not encourage increased trading and subseqenty reduces AEMO’s recovery of costs due to reduced overall transaction fees.
 |
| 6. The likely implementation effect of the change(s) on stakeholders (e.g. Industry or end-users) | Incorporated in section 5 aboveThe proposed amendment will have no impact on existing products and operations, with no anticipated functional changes to existing participant system interfaces and reports (data for monthly transactions will be published in existing reports). |
| 7. Testing requirements | Incorporated in section 5 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 NGRThe NGR specifically provides that AEMO may charge fees relating to the establishment, operation and administration of the gas trading exchange payable by gas trading exchange members, or categories of gas trading exchange members, in accordance with the Exchange Agreement. The exchange fees should be sufficient to cover AEMO’s budgeted costs of establishing, operating and administering the gas trading exchange. National Gas ObjectiveThe 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 costsAEMO 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.Exchange FeesIn accordance with the National Gas Rules Part 22, 534(3), AEMO is required to consult with gas trading exchange members on the structure, introduction and determination of exchange fees.  |
| 9. Consultation Forum Outcomes(e.g. the conclusions made on the change(s) whether there was unanimous approval, any dissenting views) | In 2017, AEMO held a market forum and issued a survey to understand potential improovements that could be made to the Gas Supply Hub. A common suggestion was the reduction in spread trade fees.AEMO discussed the proposed change at the GSHRG on the 25th July 2018 and asked any concerns with the change progressing to be raised by 8th August 2018.Feedback was supportive of the proposed changers, viewing the proposal as a positive in enhancing liquidity.  |

|  |
| --- |
| **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 the 1 November 2018. |

|  |
| --- |
| **ATTACHMENT A**  |

**Documentation Changes**

See draft Exchange Agreement with amendments as specified above (section 2)

Red represents additions.

# 1 Exchange Fees

The fees set out below relate to Section 5.5 (Participation Fees) of the AEMO Gas Supply Hub Exchange Agreement.

These fees are current as per the date of this document and can be amended by AEMO at any point in future.

|  |  |  |
| --- | --- | --- |
| Trading Participants | Fixed Fee user account licence | $12,000 p.a. licence fee\*\* |
| Variable Transaction Fee\* | $0.03/GJ daily product fee;$0.02/GJ weekly product fee;$0.01/GJ monthly product fee |
| Reallocation Participants | Fixed Fee | $9,000 p.a. |
| Viewing Participants | Fixed Fee | $3,600 p.a. licence fee |

\* Explanatory note: the Variable Transaction Fee in relation to the matching of orders in a Spread Product is payable on the volume of orders matched in a Spread Product rather than each of the resulting trades in Moomba, Wallumbilla or South East Queensland transactions.

\*\* Fixed Fee rebate – If the amount of Variable Transaction Fees in a Trading Participant’s Final Statement for a billing period is $7,000 (exclusive of GST) or more the Trading Participant will receive a refund from AEMO in the same Final Statement equal to the Trading Participants total Trading Participant Fixed fees in that Final Statement. The refund does not apply to Reallocation Participant Fixed fees or Viewing Participant fees.