

IMPACT & IMPLEMENTATION REPORT – SUMMARY SECTION
(For AEMO to complete and administer)

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| Issue Number | | | |
| Impacted Jurisdiction (s) | Victoria | | |
| Proponent | Hugh Ridgway | Company | AEMO |
| Affected Gas Markets(s) | Declared Wholesale Gas Market | Consultation process (Ordinary or Expedited) | Ordinary |
| Industry Consultative forum(s) used | GWCF | Date Industry Consultative forum(s)consultation concluded | 10 February 2015 |
| Short Description of change(s) | The changes to the Procedures are updates required due to the rule determination, National Gas Amendment (Removal of Force Majeure Provisions on the DWGM), published on 11 December 2014. | | |
| Procedure(s) or Documentation impacted | Wholesale Market Administered Pricing Procedures (Victoria) v2.0 Wholesale Market Compensation Procedures (Victoria) v1.0 | | |

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| Summary of the change(s) | Redundant force majeure provisions in the Procedures have been removed. | | |
| I&IR Prepared By | Hugh Ridgway | Approved By | |
| Date I&IR published | 10 February 2015 | Date Consultation under 135EE | 10 February 2015 |
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| Other key contact information | Hugh Ridgway Ph. 03 9609 8682 | | |

IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

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| <p>1. Description of change(s) and reasons for change(s)</p> | <p>This IIR proposes changes to the Wholesale Market Administered Pricing Procedures (Victoria) and to the Wholesale Market Compensation Procedures (Victoria). The proposed changes are summarized below:</p> <ul style="list-style-type: none"> • Updates to reflect the removal of force majeure provisions from the National Gas Rules (NGR) as they pertain to the Victorian declared wholesale market (DWGM). • Additional section requiring AEMO consult with industry on proposed changes to the administered price cap (APC) or CPT. |
| <p>2. Reference documentation</p> <ul style="list-style-type: none"> ▪ Procedure Reference ▪ GIP/Specification Pack Reference ▪ Other Reference | <ul style="list-style-type: none"> • Wholesale Market Administered Pricing Procedures (Victoria) v2.0 • Wholesale Market Compensation Procedures (Victoria) v1.0 • GWCF Paper 12-005-05 Removal of FM Provisions Draft Rule and Procedure Changes v2 • National Gas Rules Part 19: Declared Wholesale Gas Market Rules Rule 224 ‘Administered Pricing’. |
| <p>3. The high level details of the change(s) to the existing Procedures This includes:</p> <ul style="list-style-type: none"> ▪ A comparison of the existing operation of the Procedures to the proposed change to the operation of the Procedures ▪ A marked up version of the Procedure change (see Attachment A) | <p>Changes to the Wholesale Market Administered Pricing Procedures are:</p> <ul style="list-style-type: none"> • Addition of a definition for Administered Price Cap in the Definitions. • Removal of force majeure from administered price period triggers in Chapter 3. • Removal of reference to force majeure in Chapter 6.6. • Addition of requirement to consult with industry in Chapter 6.7. <p>Changes to the Wholesale Market Compensation Procedures are:</p> <ul style="list-style-type: none"> • Removal of references to force majeure in Chapter 5 |
| <p>4. Explanation regarding the order of magnitude of the change (eg: material, non-material or non-substantial)</p> | <p>Non-material – the deployment of these changes will have a non material impact on market participants’ operations.</p> |

ASSESSMENT OF LIKELY EFFECT OF PROPOSAL

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| <p>5. Overall Industry Cost / benefit (tangible / intangible / risk) analysis</p> | <p><u>Costs:</u></p> <ul style="list-style-type: none"> • None |
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| and/or cost estimates | <p><u>Benefits:</u></p> <p>The proposed changes would benefit the Industry for the following reasons:</p> <ul style="list-style-type: none"> This change is required to align the Procedures with the rule change referred to above. |
| 6. The likely implementation effect of the change(s) on stakeholders (e.g. Industry or end-users) | <p>The implementation of the proposed changes will achieve the benefits as outlined in Section 5 of this IIR.</p> <p>There may be non-material cost impacts on market participants to deploy the changes operationally.</p> |
| 7. Testing requirements | None |
| 8. AEMO's preliminary assessment of the proposal's compliance with section 135EB: - consistency with NGL and NGR, - regard to national gas objective - regard to any applicable access arrangements | <p><u>Consistency with NGL and NGR</u></p> <p>AEMO's view is that the proposed changes described in this document are consistent with the National Gas Law (NGL) and the National Gas Rules (NGR).</p> <p>The proposed Procedure change promotes efficient operation and use of natural gas services for the long term interest of consumers of natural gas with respect to quality, safety, reliability and security of supply by providing clarity to market participants on the arrangements and protections available in times of market stress. This is expected to facilitate efficient decision making and may lead to prices more accurately reflecting market conditions. In turn, this may promote efficiency of the market process.</p> |
| 9. Consultation Forum Outcomes (e.g. the conclusions made on the change(s) whether there was unanimous approval, any dissenting views) | <p>The Gas Wholesale Consultative Forum (GWCF) is a standing forum for providing effective and efficient consultation with stakeholders on development of the Victorian Gas Wholesale Market. The GWCF is an open forum and all interested parties may attend the GWCF and participate in the meetings.</p> <p>Final drafting of the rule change and proposed procedure changes was agreed by the GWCF at the November 2012 meeting.</p> <p>The paper and minutes of this meeting are available through the following link – http://www.aemo.com.au/About-the-Industry/Working-Groups/Wholesale-Meetings/Gas-Wholesale-Consultative-Forum/GWCF-Meeting-Archive/GWCF-Meeting-176_20-November-2012</p> |

| RECOMMENDATION(S) | |
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| 10. Should the proposed Procedures be made, (with or without amendments)? | AEMO recommends the proposed Procedures change should be made as described in Attachments A and B. |

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| <p>11. If applicable, a proposed effective date for the proposed change(s) to take effect and justification for that timeline.</p> | <p>AEMO has already engaged industry and the AER on this issue, and held a number of separate workshops to explain the problem and solutions in detail. The changes to the procedures address this compliance issue.</p> <p>As per the ordinary consultative procedure, interested parties have 20 business days from the date of this notice to provide written submissions on this decision 10 March 2015.</p> <p>The rationale for this Procedure change is the AEMC rule determination which takes effect on 4 May 2015. Accordingly, AEMO proposes an effective date of <u>Monday, 4 May 2015</u> subject to further feedback from stakeholders.</p> |
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ATTACHMENT A – DRAFT WHOLESALE MARKET ADMINISTERED PRICING PROCEDURES (VICTORIA) VERSION 2.1

**ATTACHMENT B – DRAFT WHOLESALE MARKET COMPENSATION PROCEDURES
(VICTORIA) v1.1**