

Attachment A: Summary of stakeholder comments on AMDQ Proposed Procedure Change

This attachment presents a summary of stakeholders' comments in response to the Wholesale Gas Market AMDQ Procedures Proposed Procedure Change (PPC), published by AEMO on 5 March 2014 as part of a formal consultation under Rule 135EE of the National Gas Rules (NGR). Stakeholder's comments on the PPC have certain common themes. This summary groups the common stakeholder comments into themes. AEMO has responded to each theme.

AEMO received 6 submissions in response to the PPC from:

- AGL Energy Limited (AGL)
- Alinta Energy (Alinta)
- APA Group (APA)
- Energy Australia (EA)
- GDF Suez (GDF)
- Origin Energy (Origin)

Org	Summary of comment	Response
	General comments	
AGL	<p>AGL believes this PPC is a valid one because:</p> <p>In the event of a constraint, gas dispatch is most likely to be backed up by the transportation/injection rights in Victoria and firm capacity on the other side of the interconnect.</p> <p>The solution enshrines the rights of those parties who have financially committed to property rights.</p> <p>The procedure change provides for operational certainty as to gas flows when constraints are binding. Without this certainty, we would potentially see a misalignment between pipeline flows and market dispatch, an outcome that is not conducive to a well-functioning market.</p>	Noted.
APA	<p>APA supports this PPC because:</p> <p>APA considers that the proposed AMDQ Procedure will improve the ability of shippers to manage risks arising from the operation of the DWGM, by improving the ability of shippers to trade gas across the different markets in eastern Australia.</p>	Noted.
EA	<p>Energy Australia supports this PPC because:</p> <p>The proposed change would encourage competition by increasing the alignment of shipper rights across the DTS and other pipelines systems operating under contract carriage. Importantly the PPC will stop market participants from booking out AMDQ at system withdrawal points in order to block access by other market participants.</p>	<p>The current arrangements do allow a single party to assign AMDQ to a system withdrawal point in excess of their rights to flow gas away from the withdrawal point. However this would not block access to that system withdrawal point for other participants except at times of system constraint under tie breaking circumstances. It would prevent parties who do have rights to take gas away from that point from being able to assign AMDQ to that system withdrawal point.</p>

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Origin	<p>Origin supports the PPC because:</p> <p>In the event of a constraint, it is appropriate that gas dispatch is backed up by firm transportation rights in the DWGM and on the other side of the interconnect. This is intended to enhance the interoperability of the DWGM with adjacent contract carriage markets.</p> <p>In addition, in an environment of changing gas flow dynamics in the Eastern Australian market, this change could increase the certainty of gas flow from Victoria into New South Wales through Culcairn, particularly in the event of a constraint, thereby assisting to secure greater gas trade on the east coast.</p>	Noted.
Value of AMDQ		
Alinta	<p>Considers that the linking of AMDQ to firm rights on a non-DWGM pipeline makes AMDQ valueless at certain times</p>	<p>The proposed revised procedure only affects the ability of parties to assign AMDQ to a system withdrawal point for the purposes of tie-breaking of withdrawal bids, when the system withdrawal point is constrained. At such times, the interconnected facility or pipeline owner will likely have already accepted nominations to full capacity from those parties with firm contractual rights. Failure of the DWGM to recognise this in its scheduling process would only lead to allocations on the interconnected facility being inconsistent with the DWGM schedule and, hence, to deviation payments.</p> <p>It is not possible for AMDQ rights to override contractual rights on interconnected facilities or pipelines, and bids to withdraw or inject gas from/to the DWGM should reflect a party's rights to ship that gas to or from the system withdrawal point. Hence, AEMO does not believe that the proposed procedure change would devalue AMDQ under these circumstances, but merely reflect a party's contractual rights on the other side of the system withdrawal point and avoid inconsistencies in the scheduling and allocation processes.</p> <p>The proposed procedure change does not impact the use of AMDQ for uplift hedges, for injection tie-breaking, or for protection against</p>

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		curtailment at other system injection/withdrawal points.
	Priority of rights	
Alinta	Considers that the proposal effectively prioritises firm capacity over AMDQ	<p>AMDQ can only afford priority for scheduling injections and withdrawals in the DWGM, it cannot afford priority on interconnected facilities or pipelines. Bids for withdrawals or injections from or to the DWGM are required to be made in good faith and, hence, reflect that the bidding party has the necessary rights to inject/withdraw that gas to or from the interconnected facility.</p> <p>With this proviso, the proposed procedure change would still prioritise and schedule gas flows in the DWGM on the basis of bid prices, irrespective of capacity rights on interconnected facilities of pipelines. It is only when system withdrawal points are constrained and there are equally priced bids that capacity rights and/or AMDQ are taken into account in the DWGM scheduling process. At such times it would be expected that bids at the system withdrawal point would reflect the bidding party's rights to accept or deliver gas to that point on the interconnected facility or pipeline. To do otherwise would likely contravene the "good faith" bidding principles or, at least, result in inconsistent scheduled and allocated flows and deviation payments.</p>
Alinta	Poses the reverse argument – would it be appropriate to discount firm rights in favour of AMDQ rights when scheduling injections into the DWGM?	<p>The scheduling of injections into the DWGM from an interconnected facility considers only the price of the injection offer and AMDQ assigned to the injection point in the event of the need to tie-break equally priced offers. Whether or not a party holds firm rights on the interconnected facility or pipeline is not considered at all by the DWGM scheduling process, at least not explicitly. However, the principles of "good faith" bidding require that parties submitting injection offers warrant that they are able to deliver the gas to the injection point, implicitly meaning that the party has whatever rights are required on the other side of the injection point to deliver the gas at that point. The</p>

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		same “good faith” bidding principles apply to gas withdrawals from the DWGM into interconnected facilities or pipelines.
	Beneficiaries	
Alinta	Considers that the proposal may be more advantageous for large incumbent national companies at the expense of less established participants, as it is likely to be easier for smaller parties to access AMDQ than firm capacity contracts.	AEMO considers that this is more an issue about access to capacity and capacity trading on the contract carriage pipelines - this proposal neither incentivises or resolves this issue, but improves interoperability given the rights that exist. Without the proposal there is uncertainty for shippers who have firm rights on both pipelines and who bid for withdrawals at the market price cap - in that without this proposal they would still not be guaranteed of being scheduled in the DWGM, although they would be allocated the gas on the interconnected pipeline, giving rise to settlement risk and possible disputation.
	Administration	
Alinta	Considers that the administrative costs involved in monitoring who holds firm rights on an interconnected pipeline need to be taken into account and may inhibit commercial transactions such as capacity trading.	AEMO does not propose to actively monitor who holds contracts on interconnected pipelines or facilities. The proposed procedure requires a letter of evidence of contractual rights to be provided only when a party seeks to have AMDQ assigned to a system withdrawal point. Such parties are already required to provide information for accreditation of withdrawals at these points.
GDF Suez	Considers that a key difficulty with the proposal will be for AEMO to remain informed of who holds firm gas transport rights on interconnected facilities.	This proposed procedure does not prevent parties from bilaterally trading capacity, it only adds an additional step to an already manual administrative step if a party chooses to reassign AMDQ on the basis of such a trade. There are alternative contractual arrangements that can be put into place to achieve the correct market and contractual outcomes without needing to involve AEMO and the pipeline operator if both parties choose to do so.

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GDF Suez	Raised a concern via telephone follow up that at some locations the party who holds firm rights on an interconnected facility is not the same party who will be scheduled in the DWGM, i.e. there may be a transfer of title to gas across the market boundary, rather than, for example, sub-contracting of firm rights.	Noted. This type of situation was not intended to be excluded. AEMO has proposed alternative drafting to clause 5.5 in the AMDQ procedures to allow for this type of arrangement.
Alternative means for resolution		
Alinta	Considers that the good faith provisions in the NGR should be sufficient to prevent gaming by participants blocking others' ability to assign AMDQ to a withdrawal point.	Noted. However good faith provisions can only be tested retrospectively and would likely require a dispute, based on inconsistent schedules and allocations to trigger any investigation of such a situation. This procedure change intends to reduce risk to market participants and avoid such costly situations.
GDF Suez	Notes that participants must bid for AMDQ credits through the tender process in "good faith".	This procedure only links AMDQ to firm contract rights when AMDQ is being transferred or nominated to a SWP. The purchase of authorised MDQ or AMDQ Credit Certificates has no such restriction.
Auctioning of AMDQ credit certificates		
Alinta	Proposes regular auctioning of AMDQ credit certificates for limited periods.	AEMO considers this to be a separate matter to that covered in the proposed procedure change, the latter being one that relates to the

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GDF Suez	Proposes a market based solution for auctioning / tendering of AMDQ credit certificates.	<p>usage of AMDQ or AMDQ credits once they have been allocated or auctioned, and that would not be resolved through alternative AMDQ or AMDQ credit certificate auction processes</p> <p>The auction of authorised MDQ is a rule requirement, and these AMDQ procedures set out how such an auction works, as required by rule 330(6).</p> <p>Auctioning of AMDQ credit certificates is currently not covered in either the NGR or these AMDQ procedures and is out of the scope of this procedure change. AEMO considers that any concerns with this should be addressed separately to this procedure change proposal, and that any such proposal would require a rule change.</p>