

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

Issue Number			
Impacted Jurisdiction (s)	Victoria		
Proponent(s)	Sara Atukorala (AEMO) Ivan Byak (APA)		
Affected Gas Markets(s)	Declared Wholesale Gas Market (DWGM)	Consultation process (Ordinary or Expedited)	Ordinary
Industry Consultative forum(s) used	Gas Wholesale Consultative Forum (GWCF)	Date Industry Consultative forum(s) consultation concluded	31 March 2014
Short Description of change(s)	<p>AEMO has proposed changes to procedures that confirm the requirements for the transfer of authorised Maximum Daily Quantity (MDQ) or Authorised Maximum Daily Quantity (AMDQ) Credit Certificates (CC) as described in rule 331(1) and the auction by AEMO of authorised MDQ 330(6), are sufficiently covered.</p> <p>The proposed changes to procedures provide clarity and further information on:</p> <ul style="list-style-type: none"> • Validating firm capacity holdings. • Relinquishing firm capacity. • Requiring a single priority queue for authorised MDQ transfers and AMDQ Credit Certificate nominations. • Requiring accreditation. • AMDQ Credit Certificate nominations. • Authorised MDQ auction. 		
Procedure(s) or Documentation impacted	<p>The following documents are impacted by the proposed procedure changes:</p> <ol style="list-style-type: none"> 1. Wholesale Market AMDQ Transfer Procedures 2. Wholesale Market AMDQ Auction Procedures 3. AMDQ Credit Nomination Process 4. AMDQ Transfer Request Form 5. AMDQ CC Nomination Form 6. AMDQ CC Registration and Nomination Form 		

<p>Summary of the change(s)</p>	<ul style="list-style-type: none"> • Produce a new proposed procedure document “Wholesale Market AMDQ Procedure” which incorporates the current: <ul style="list-style-type: none"> o Wholesale Market AMDQ Transfer Procedures. o Wholesale Market AMDQ Auction Procedures. o AMDQ Credit nomination process. <p>The other key changes are:</p> <ul style="list-style-type: none"> • Sections 5.1(c), 5.5 and 5.6 in the procedure document are added to cover the firm capacity validation and expiry or relinquishment of firm capacity. • Section 6.3 provides a single priority queue for AMDQ transfer requests and nomination of AMDQ Credit Certificates. 		
<p>I&IR Prepared By</p>	<p>Sara Atukorala</p>	<p>Approved By</p>	<p>Chin Chan</p>
<p>Date I&IR published</p>	<p>5 May 2014</p>	<p>Date Consultation under rule 135EE or 135EF concludes</p>	<p>2 June 2014</p>
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<p>Email Address for Responses</p>	<p>GWCF_Correspondence@aemo.com.au</p>		
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IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

<p>1. Description of change(s) and reasons for change(s)</p>	<p>This I&IR proposes changes to the Wholesale Market AMDQ Transfer Procedures.</p> <p>APA Group proposed a change to the Wholesale Market AMDQ Transfer Procedures. Their proposal was to add a new validation to the current procedures. This is where AEMO would confirm that a market participant holds firm contract capacity on an interconnected facility, before AEMO processes the transfer of authorised MDQ or nomination of AMDQ Credit Certificates to a System Withdrawal Point (SWP).</p> <p>AEMO has taken this opportunity to review the Wholesale Market AMDQ Transfer Procedures. It has identified that the Wholesale Market AMDQ Transfer Procedures, published in 2012, require further information. AEMO decided to address this at the same time as addressing APA’s proposal. During this review, AEMO identified synergies in related documents and decided to incorporate the existing Wholesale Market AMDQ Auction Procedures and AMDQ Credit Nomination Process into the proposed Wholesale Market AMDQ Procedures.</p> <p>AEMO has proposed changes to the procedures that ensure the requirements, as described in rule 331(1) and 330(6), are sufficiently covered.</p> <p>The proposed changes provide clarity and further information on:</p> <ul style="list-style-type: none"> • Validating firm capacity holdings. • Relinquishing firm capacity. • Requiring a single priority queue for AMDQ transfers and AMDQ Credit Certificate nominations. • Requiring accreditation. • AMDQ Credit Certificate nominations. • Authorised MDQ Auction.
<p>2. Reference documentation</p> <ul style="list-style-type: none"> ▪ Procedure Reference ▪ GIP/Specification Pack Reference ▪ Other Reference 	<ol style="list-style-type: none"> 1. Wholesale Market AMDQ Transfer Procedures. 2. Wholesale Market AMDQ Auction Procedures. 3. AMDQ Credit Nomination Process. 4. National Gas Rules Part 19: Declared Wholesale Gas Market Rules Section 327 – 332. 5. GWCF papers. <p>The proposal, including changes to the Procedures, was discussed at past GWCF meetings. The relevant papers presented at those meetings and meeting minutes are listed below in chronological order.</p>

	<ul style="list-style-type: none"> • GWCF 13-066-01 ,Culcairn AMDQ allocation, GWCF # 181 of 13 August 2013 • GWCF 13-066-03, Changes to wholesale AMDQ transfer procedure, GWCF #182 of 8 October 2013 • GWCF 14-066-01, Proposed Wholesale Market AMDQ Procedure, GWCF #183 of 11 February 2014 <p>These papers and the corresponding meeting minutes of those forum discussions are available through the following link:</p> <p>http://www.aemo.com.au/About-the-Industry/Working-Groups/Gas-Wholesale-Consultative-Forum</p>
<p>3. The high level details of the change(s) to the existing Procedures</p> <p>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 Procedures are grouped under the following three categories.</p> <p>1. Changes to the operation of the Procedures</p> <p>Changes have been made to create new proposed procedures “Wholesale Market AMDQ Procedures” which incorporates the current:</p> <ul style="list-style-type: none"> • Wholesale Market AMDQ Transfer Procedures. • Wholesale Market AMDQ Auction Procedures. • AMDQ Credit nomination process. <p>Key changes include the following clauses:</p> <p>5.5 (Evidence of firm capacity)</p> <p>New requirement for AEMO to validate firm capacity rights of a Market Participant wanting to assign AMDQ to a System Withdrawal Point at an interconnected facility.</p> <p>5.6 (Expiry or Relinquishment of firm capacity rights)</p> <p>New section inserted to provide clarity when Market Participants relinquish firm capacity or when the letter of evidence has expired.</p> <p>5.1(c) (General Requirements)</p> <p>New requirement for a market participant to have an application for accreditation, or accreditation in place at the time of submitting an application for a transfer or nomination AMDQ.</p> <p>6.3 (Priority & Delays)</p> <p>Provide a single priority queue for AMDQ transfer requests and nomination of AMDQ Credit Certificates.</p> <p>2. Editorial changes</p> <p>Editorial changes were made to some sections to provide more clarity. Please refer to the mapping documents accompanying this consultation (“Current AMDQ Procedures mapping to New AMDQ Procedures” and “New AMDQ Procedures mapping to Current AMDQ Procedures”) for details of changes.</p>

	<p>3. Changes to conform with the requirements of AEMO’s external Procedure template</p>
<p>4. Explanation regarding the order of magnitude of the change (eg: material, non-material or non-substantial)</p>	<p>The proposed changes do not involve material costs or effort on the part of AEMO or participants in that there are no IT system changes required. However, implementation will involve some changes to manual processes as outlined in the attached discussion paper “AMDQ Procedure Proposal”.</p>

ASSESSMENT OF LIKELY EFFECT OF PROPOSAL

<p>5. Overall Industry Cost / benefit (tangible / intangible / risk) analysis and/or cost estimates</p>	<p>The expected benefits of this change are:</p> <p><i>Firm capacity requirements</i></p> <p>The benefits as proposed by APA are:</p> <ul style="list-style-type: none"> • Increased alignment of shipper rights across the connection points between the Declared Transmission System (DTS) and other pipeline systems operating under contract carriage. • Enhanced interoperability between the DTS market carriage system and adjacent contract carriage markets. • Assistance in securing greater trade of gas across the Eastern Australian market. • Certainty that market participants, under specific circumstances, will be able, through submission of appropriately priced injections/withdrawal bids, to ensure that their gas is scheduled in the DWGM (subject to system operational constraints). The specific circumstances are for parties who have procured firm contractual rights on interconnected facilities, and have procured and assigned AMDQ at the appropriate system withdrawal point on the DTS. <p><i>Additional benefits:</i></p> <ul style="list-style-type: none"> • Clearer requirements for submission of AMDQ transfer requests and AMDQ Credit Certificate nomination requests (including requirements for accreditation). • Single priority queue for AMDQ transfers and AMDQ Credit Certificate nominations improving the management of requests. • A single procedure document covering AMDQ processes. <p>The cost of these Procedure changes is minimal as IT systems are not affected by the proposed changes. This procedure change would involve only manual process changes, as outlined in section 4.</p>
<p>6. The likely implementation effect of the change(s) on stakeholders</p> <p>(e.g. Industry or end-users)</p>	<p>The implementation effect on Market Participants is minimal with no system changes required. However, there is a need to understand the new requirements of the transfer and nomination processes.</p>
<p>7. Testing requirements</p>	<p>There are no testing requirements.</p>
<p>8. AEMO's preliminary assessment of the proposal's compliance</p>	<p><u>Consistency with National Gas Law (NGL) and the National Gas Rules (NGR)</u></p> <p>AEMO's preliminary assessment is that the proposed changes</p>

<p>with section 135EB:</p> <ul style="list-style-type: none"> - consistency with NGL and NGR, - regard to national gas objective - regard to any applicable access arrangements 	<p>described in this document are consistent with the NGL and the NGR.</p> <p><u>National Gas Objective</u> <i>“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 of natural gas.”</i></p> <p>AEMO considers that the proposed alignment of AMDQ to firm contracts on interconnected facilities for the purposes of withdrawal tie-breaking is in keeping with the national gas objective because:</p> <ul style="list-style-type: none"> • The proposal promotes efficient investment in pipeline capacity by providing a means to expand the DTS and interconnected facilities through private investment in firm capacity. Those parties will have priority on days of full capacity use, while allowing ‘as available’ capacity to be scheduled where spare capacity exists. • Increased capacity will allow retailers to better manage the cost of gas in New South Wales in face of increasing costs for gas from alternate sources. This will directly impact consumer pricing policies. • The proposal promotes efficient operation of the interface between the DWGM and interconnected facilities by allowing scheduling in DWGM to align with ‘firm’ contractual rights in interconnected facilities. This reduces need for additional processes between the DWGM, market participants and interconnected facility operators.
<p>9. Consultation Forum Outcomes</p> <p>(e.g. the conclusions made on the change(s) whether there was unanimous approval, any dissenting views)</p>	<p>This proposed procedure was circulated to the GWCF on 30 January 2014.</p> <p>There was general support to make the procedure changes by the GWCF attendees, although some concerns were raised as to whether linking the assignment of AMDQ with contractual rights on a connected facility or pipeline would pose barriers to competition or market entry.</p> <p>A discussion paper was published with the Proposed Procedure Change (PPC) that further explored and sought stakeholder input on these concerns and other matters relevant to the proposal.</p> <p>Six written submissions were received on the PPC. Four fully supported the proposed procedure changes, while two raised the following concerns:</p> <ul style="list-style-type: none"> • A view that aligning AMDQ in the DWGM with firm capacity rights on non-DWGM pipelines would discount the value of AMDQ and disadvantage those parties who were unable or less able to acquire firm contract rights. • Difficulties/administrative costs that AEMO would face in monitoring and maintaining a register of parties holding contractual rights on interconnected facilities/pipeline outside of its jurisdiction.

- Implications of secondary trading in capacity where neither AEMO nor the interconnected facility or pipeline operator are made aware of the trade.

AEMO acknowledges the last of these points and has proposed amendments to the proposed procedure changes to address it (see section 10, below).

AEMO is not convinced that the proposed changes would result in inequitable competitive advantage to contract rights holders on interconnected facilities or pipelines. AEMO considers that the changes would serve to more effectively and efficiently deliver the same outcomes as those intended through the “good faith” bidding provisions of the NGR. Finally, AEMO does not believe the proposal would involve material difficulty or costs in confirming the status of contractual rights at the time of AMDQ assignment. On balance, therefore, AEMO considers that the proposal will promote the NGO in accordance with section 8 above.

A summary of stakeholder submissions and further detail on AEMO’s response is provided in Attachment A.

The submissions are available through the following link;

<http://www.aemo.com.au/Consultations/Gas-Consultations/Wholesale-Gas/Wholesale-Market-AMDQ-Procedures-Victoria>

RECOMMENDATION(S)

<p>10. Should the proposed Procedures be made, (with or without amendments)?</p>	<p>AEMO recommends that the Procedures should be made but with amendments to address the issue of secondary trades raised in stakeholder submissions as outlined in section 9. Specifically, the procedures will now allow for provision of evidence of firm capacity rights procured through secondary trade.</p> <p>Refer to appendix 1 for proposed changes to the drafting of clause 5.5 – Evidence of Firm Capacity and 5.6 – Expiry or Relinquishment of Firm Capacity Rights.</p>
<p>11. If applicable, a proposed effective date for the proposed change(s) to take effect and justification for that timeline.</p>	<p>AEMO intends to use the ordinary consultative procedure as set out in the National Gas Rules/Part 3/Division 2.</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. Submissions are due by the close of business on 2 June 2014.</p> <p>AEMO proposes an effective date for these procedures, if implemented, of 1 July 2014.</p>

Appendix 1 – Proposed amended drafting

Additions are underlined in blue, deletions are struck through in ~~red~~.

5.5 Evidence of Firm Capacity

(a) For a transfer of *authorised MDQ* or nomination of *AMDQ Credit Certificates* to an SWP at an Interconnected Facility, the *Market Participant* who is the Transferee or Nominating Party must provide evidence satisfactory to AEMO that it, or a buyer of gas from that party, ~~it~~ holds firm capacity rights on that Interconnected Facility:

- i. for at least the date range of the transfer or nomination request; and
- ii. at least equal to the total quantity of AMDQ to be held at the SWP by the Market Participant after the relevant transfer or nomination is registered.

(b) The evidence must comprise a signed confirmation, in a form acceptable to AEMO:

- i. ~~be in the form of a letter on company letterhead signed on behalf of~~ from the service provider of the Interconnected Facility identifying the person (primary shipper) that has contracted the relevant firm capacity from the service provider; and
- ii. if the primary shipper is not the Market Participant, from that primary shipper confirming that it has either:
 - transferred those firm capacity rights to the Market Participant; or
 - acquired a corresponding quantity of gas at the SWP from the Market Participant.
- iii. if applicable, from each other person deriving firm capacity rights from the primary shipper, confirming the relevant capacity transfer or gas trade, sufficient to establish that the Market Participant, or a buyer of gas from the Market Participant, is entitled to use the relevant quantity of firm capacity on the Interconnected Facility for the relevant period.

~~(a) and (if applicable) a letter meeting the same requirements from any other person from whom the Transferee or Nominating Party has acquired the firm capacity. The letter(s) must confirm the following:~~

~~(b) details of the person that holds the firm capacity contracted from the service provider (whether or not that person is also the Transferee or Nominating Party);~~

~~(c) that the firm capacity is contracted for at least the date range of the transfer or nomination request;~~

~~(d) that the quantity of the firm capacity contracted is not less than the total quantity of AMDQ to be held at the SWP by the Market Participant after the relevant transfer or nomination is registered); and~~

~~(e) if relevant, the quantity and duration of the Market Participant's entitlement to firm capacity acquired from a person referred to in paragraph (a).~~

5.6 Expiry or Relinquishment of Firm Capacity Rights

~~If:~~

~~(a) — If the period by the end of the period specified in a confirmation letter of evidence under clause 5.5 expires, or a confirmation is updated so that the relevant entitlement to firm capacity is less than the Market Participant’s total AMDQ at the relevant SWP, and no replacement evidence has been provided,; or AEMO will either transfer or nominate the quantity of AMDQ that exceeds the available firm capacity rights:~~

~~(b) — by an earlier date from which AEMO has been notified, by the person who provided the relevant letter of evidence, that the Market Participant no longer holds sufficient firm capacity on an Interconnected Facility to cover its total quantity of AMDQ at the relevant SWP,~~

~~AEMO has not received evidence (in the same form as required under clause 5.5) that the Market Participant has acquired sufficient replacement firm capacity, AEMO will either transfer or nominate the quantity of AMDQ that exceeds that Market Participant’s firm capacity rights:~~

~~(c)(a) to the Reference Hub; or~~

~~(d)(b) to another site as instructed by that *Market Participant* (subject to the requirements of these Procedures).~~