



Gas Supply Hub Event Report

May 2019

Failure to complete Delivery Netting

A report into the failure to complete Delivery Netting on 28 February 2019

Important notice

PURPOSE

AEMO has prepared this report in response to AEMO being unable to make a delivery schedule and issue a Delivery Obligations Report by the required time for Gas Day 1 March 2019. Although there are no Rule or Procedure requirements to issue this report, AEMO has prepared this report to ensure participants are aware of the event and AEMO's response.

Any term with a defined meaning in Part 22 of the National Gas Rules (NGR), the Gas Supply Hub (GSH) Exchange Agreement or the Membership Agreement has the same meanings when used in this report.

All times are in Australian Eastern Standard Time (AEST).

DISCLAIMER

AEMO has made every reasonable effort to ensure the quality of the information in this report but cannot guarantee its accuracy or completeness. Any views expressed in this report are those of AEMO unless otherwise stated, and may be based on information given to AEMO by other persons.

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1. Summary

On 28 February 2019 AEMO was unable to make a delivery schedule for the Gas Day commencing on 1 March 2019 available by 1:30 pm EST or by 3:00 pm EST, as required by the GSH Exchange Agreement (EA). As a result, pursuant to 14.7.3(b) of the EA, each Transaction for a Delivery Period which included the Gas Day commencing on 1 March 2019 and to which Delivery Netting applied was taken to be void, to the extent of the parties' obligations to deliver, receive and pay for Physical Gas on Gas Day 1 March 2019.

While delivery obligation reports for Gas Day 1 March 2019 were published at approximately 4:00 pm on 28 February, it was after the 3:00 pm cut off time specified in the EA and were therefore void. AEMO reissued the delivery obligation reports for Gas Day 1 March 2019 with all volumes set to zero.

The effect of voiding the delivery obligations for the relevant transactions for Gas Day 1 March 2019 is that there were no settlement obligations associated with netted products for this Gas Day.

This was the first time since the GSH commenced on 20 March 2014 this type of event has occurred.

2. Actions taken by AEMO

On 28 February AEMO released the new Pipeline Capacity Trading (PCT) applications into the GSH production systems, in preparation for the PCT and Day Ahead Auction (DAA) rules commencing on 1 March 2019. Among the applications was a new version of the GSH Delivery Netting application.

At 1:00 pm Delivery Netting ran as usual, however a new validation implemented for capacity products (checking for valid contracts) inadvertently impacted on commodity products. Commodity products do not require any validation against contracts, and with the incorrect validation being applied the Delivery Netting ran and deemed the commodity products to be invalid. No alerts were generated given the Delivery Netting application was not intended to impact on commodity products.

As such, the incident went undetected until after 3:00 pm, upon which becoming aware, AEMO were able to resolve the issue and generate the Delivery Netting reports. This was however after the EA permitted time, hence the requirement to void all affected trades. The reports were reissued with all volumes for Gas Day 1 March 2019 set to zero.

AEMO then immediately proceeded to inform all impacted participants of the issue, and the subsequent impact to the delivery obligations. Non-netted trades were not affected.

AEMO identified the root cause and implemented a change to ensure this issue would not be repeated, and a heightened level of monitoring for both commodity and capacity products was put in place.

GSH transaction fees on all trades executed on 1 March 2019 were waived for all trading participants.

3. Market Impacts

In total, eight trading participants were affected with a traded volume of 43 TJ valued at \$382,410. All impacted participants re-entered the affected trades on 1 March as 'On the day' trades. When combined with the waiver of market fees this resulted in no participant being impacted financially through the GSH. There would have been some additional administrative burden due to re-entering trades.

4. Next Steps

AEMO is proposing to amend the GSH Exchange Agreement such that netted trades are only void if delivery obligation reports are not received by 7:00 pm, rather than 3:00 pm, and has sought feedback from participants on this proposed change.