

# GAS SUPPLY HUB – RULES METHODOLOGY – SETTLEMENTS AND PRUDENTIAL METHODOLOGY

VERSION: 5.2  
EFFECTIVE DATE: 4 April 2019

Approved for distribution and use by:



APPROVED BY: Peter Geers  
TITLE: Chief Strategy and Markets Officer

DATE: 2 / 4 / 2019

## VERSION RELEASE HISTORY

Version	Effective Date	Authority	Summary of Changes
1.0	2 January 2014	AEMO	Initial version at market start.
2.0	28 May 2015	AEMO	Monthly Product – s5.3.2
3.0	1 June 2016	AEMO	Treatment of negative order and transaction prices in the prudential calculations – s5.2
3.1	26 October 2016	AEMO	Addition of location swaps in accordance with V7 of Exchange Agreement – s3.1
4.0	28 March 2017	AEMO	Addition of Low Pressure Settlement Adjustment concept – s4.1
5.0	1 March 2019	AEMO	Amendments to facilitate the implementation of COAG Energy Council's capacity trading reforms
5.1	1 March 2019	AEMO	Correction to capacity variance settlement equations.

## CONTENTS

<b>1.</b>	<b>PRELIMINARY</b>	<b>4</b>
1.1.	Introduction	4
1.2.	This document	4
1.3.	Amendment	4
<b>2.</b>	<b>DEFINITIONS AND INTERPRETATION</b>	<b>4</b>
2.1.	General	4
2.2.	Additional defined terms	5
2.3.	Settlement Equation Definitions	5
<b>3.</b>	<b>RULES METHODOLOGY</b>	<b>11</b>
3.1.	Delivery Variance Amounts	11
3.2.	Close Out Amounts and Offset Amounts	15
<b>4.</b>	<b>SETTLEMENT AMOUNTS</b>	<b>17</b>
4.1.	Settlement of Physical Gas Transactions	17
4.2.	Settlement of Physical Capacity Transactions	17
4.3.	Market Fees	17
4.4.	Reallocation Settlement Amounts	18
4.5.	Settlement Amounts (Billing Period Settlement Amount)	19
4.6.	Revision of Settlement Amounts (Billing Period Settlement Amount)	19
<b>5.</b>	<b>PRUDENTIAL EXPOSURE</b>	<b>19</b>
5.1.	Outstanding Amounts	19
5.2.	Forward Exposure	21
5.3.	Forward Settlement Reallocation Exposure	22
5.4.	Prudential Exposure	23

## 1. PRELIMINARY

### 1.1. Introduction

The Australian Energy Market Operator Limited (**AEMO**) has established a gas trading exchange known as the gas supply hub, in accordance with the National Gas Law and National Gas Rules. The gas supply hub takes the form of an electronic trading platform and related systems (**Exchange**), through which participants can trade physical gas and related Products in accordance with the gas trading exchange agreement (**Exchange Agreement**).

AEMO is the initial Operator of the Exchange.

### 1.2. This document

#### 1.2.1. Content

This document comprises:

- (a) the methodology established by AEMO under rule [536(3)] of the National Gas Rules for the determination of amounts payable by or to gas trading exchange members in respect of:
  - (i) a failure to deliver, supply or accept natural gas in accordance with the Exchange Agreement; and
  - (ii) the closing out of obligations of a gas trading exchange member following a default under the Exchange Agreement,  
(Rules Methodology); and
- (b) the methodology established under clause 17 of the Exchange Agreement for the calculation of Settlement Amounts and Prudential Exposure (**Settlements and Prudential Methodology**).

#### 1.2.2. Rules Methodology

The Rules Methodology comprises clause 2 (as applicable) and clause 3.

#### 1.2.3. Settlements and Prudential Methodology

The Settlements and Prudential Methodology comprises clause 2 (as applicable) and clauses 4 and 5.

### 1.3. Amendment

This document may only be amended in accordance with the requirements for amending the Settlements and Prudential Methodology in the Exchange Agreement and any additional requirements in the National Gas Rules for the amendment of the Rules Methodology.

## 2. DEFINITIONS AND INTERPRETATION

### 2.1. General

- (a) Terms defined in the National Gas Law, the National Gas Rules, the Exchange Agreement and the CTA Procedures have the same meanings when used in this document unless otherwise stated.
- (b) The interpretation provisions in clauses 2.2, 2.3, 2.4(e), 2.5, 2.6, 2.7 and 2.8 of the Exchange Agreement apply to the interpretation of this document as if they were set out in full in this

document, substituting references to 'this agreement' with 'the Rules Methodology' or 'the Settlements and Prudential Methodology', as the case may be.

- (c) All amounts determined under the Rules Methodology and the Settlements and Prudential Methodology are calculated exclusive of GST. Where applicable, GST on those amounts will be shown on Settlement Statements in accordance with clause 18.9 of the Exchange Agreement.

## 2.2. Additional defined terms

In this document:

*Credit Participant* has the meaning defined in the Reallocation Procedures.

*Debit Participant* has the meaning defined in the Reallocation Procedures.

*Delivery Obligation* means an obligation under the Exchange Agreement to deliver or accept a Delivery Quantity at a Delivery Point on a Gas Day.

*Negative Value Transaction* means any of the following:

- a Transaction where Member m is the Seller with a Transaction Price greater than or equal to \$0.00; and
  - a Transaction where Member m is the Buyer with a Transaction Price less than \$0.00.
- see clauses 5.2.2 and 5.2.3

*Positive Value Transaction or Order* means any of the following:

- a Bid by Member m with a Price greater than (or equal to) \$0.00;
  - a Transaction where Member m is the Buyer with a Transaction Price greater than (or equal to) \$0.00;
  - an Offer by Member m with a Price less than \$0.00; and
  - a Transaction where Member m is the Seller with a Transaction Price less than \$0.00.
- see clauses 5.2.2 and 5.2.3

*Processing Day* means the day on which a calculation is made or a matter is determined.

*Product Delivery Period* means the duration of the Delivery Period applicable to a Product, as set out in the Product Specification. For example, the Product Delivery Period of a Transaction could be Daily or Weekly.

*Security Deposit* the credit balance in the Operator's security deposit fund in respect of a particular Market Participant, under clause 9.3 of the Exchange Agreement.

## 2.3. Settlement Equation Definitions

### 2.3.1. Notations

Notation	Definition
$\Sigma$ , as in $\Sigma t$	This is an example of the usage of the term "sum" ( $\Sigma$ ). This indicates that any expression following this term is to be evaluated for, and the results summed over, all values of an index (in this example t).
ABS( )	The absolute value of the term within the brackets, eg. ABS(-5) = 5, ABS(5) = 5.
MAX( )	The maximum (or highest) of two or more values within the brackets, eg. MAX(3,6) = 6, MAX(-4,-7,5) = 5.

Notation	Definition
MIN( )	The minimum (or lowest) of two or more values within the brackets, eg. MIN(3,6) = 3, MIN(-4,-7,5) = -7.

### 2.3.2. Terms

The following table defines the indices used to identify different terms in the Settlement equations.

Term	Definition
bp	Billing Period
C	Product Delivery Period
D	Gas Day
Dt	Delivery Obligation or Capacity Transfer
L	Trading Location
M	Member
P	Market Participant
Pd	Processing Day
R	Reallocation
S	Security Deposit
T	Physical Gas Transaction, Physical Capacity Transaction

### 2.3.3. Null values

Where no value is required to be set for a term in a Settlement equation, the result of the equation is to be calculated without that term.

### 2.3.4. Sign of Settlement amounts

Positive Settlement Amounts represent an amount payable by the Market Participant to the Operator. Negative Settlement Amounts represent an amount payable by the Operator to the Market Participant.

### 2.3.5. Equation terms

The variables explained below are calculated by, and/or used in, the equations set out in this document.

Term	Definition
ABP(m,d,l)	Average Buy Price for a Gas Day and Trading Location for a specific Member – see clause 5.2.2.
ADA(p,bp)	Amount of the adjustment between a Revision Statement Settlement Amount (RSA) and the Final Statement Settlement Amount (FSA) for a Billing Period, including any applicable interest amount, in accordance with clause 18.4(c)(ii) of the Exchange Agreement.
ADQ(p,dt,d)	Actual Delivered Quantity (in GJ) for a Gas Day, being the quantity of gas actually delivered, or taken to have been delivered, in respect of a Delivery Obligation, as notified and confirmed by the Receiving Participant and the Delivering Participant in accordance with clause 15 of the Exchange Agreement.

Term	Definition
ADQD(dt,d)	Actual Delivered Quantity to the Swap Delivery Point under a Location Swap Transaction on a Gas Day.
ADQR(dt,d)	Actual Delivered Quantity to the Swap Receipt Point under a Location Swap Transaction on a Gas Day.
AE(p)	Adjustment estimate for Market Participant p, representing the estimated amount of ADA(p) for each Billing Period for which a Final Statement has been issued, but not a Revision Statement – see clause 5.1.2(f).
AHC(p,d)	Ad Hoc Charge for a Market Participant and Gas Day, which may refer to a Close Out Amount, an Offset Amount, an invoice adjustment or any other amount payable by the Market Participant to the Operator under the Exchange Agreement that is not specifically identified in the Settlements and Prudential Methodology
AHP(p,d)	Ad Hoc Payment for a Market Participant and Gas Day, which may refer to a Close Out Amount, an Offset Amount, an invoice adjustment or any other amount payable by the Operator to the Market Participant under the Exchange Agreement that is not specifically identified in the Settlements and Prudential Methodology
ALF	Additional Licence Fee payable by a Market Participant for each additional user account, as specified in the Exchange Fees.
AP(d,l)	Average Price for a Gas Day and Trading Location, to be used for the Settlement of Delivery Variance Quantities for Transactions in Products for which Delivery Netting applies, and Reallocation Amounts.
ARF	Annual Reallocation Participant Fee payable by a Reallocation Participant, as specified in the Exchange Fees.
ASP(m,d,l)	Average Sell Price for a Gas Day and Trading Location for a Member – see clause 5.2.2.
ATF	Annual Trading Participant Fee payable by a Trading Participant, as specified in the Exchange Fees.
B(d)	Buyer Margin Rule applied to the value of trades in accordance with the Prudential Methodology to determine an estimate of the Prudential Exposure for Transactions for which a Member is the Buyer or the Receiving Participant – see clause 5.2.1.
BA(p)	Billed Amount is the aggregate of amounts previously billed to a Market Participant in relation to Final Statements – see clause 5.1.2(e) The Billed Amount is an input into the Adjustment estimate for a Market Participant.
BP(d)	The Wallumbilla benchmark price for gas day d, as published in accordance with clause 10.3 of the Exchange Agreement.
CCQ(dt,d)	Confirmed Capacity Quantity for a Gas Day and Capacity Transfer as communicated to AEMO by the relevant Facility Operator through the Capacity Transfer Status report. AEMO may determine the Confirmed Capacity Quantity in the event that a Trading Participant's Capacity Transfer fails an STTM validation or is not processed or confirmed in accordance with the Capacity Transfer and Auction Procedures. The Confirmed Capacity Quantity for a Delivering Participant has a negative sign.
cm	Multiplier applied to the Rolling Average Price (RAP) when determining the future Reallocation Amount for the Prudential Exposure calculation for a Credit Participant – see clause 5.3.2. The value of cm is 0.75.
COA(p,d)	Close Out Amount for a Gas Day payable by the Defaulting Participant to counterparties under 'relevant Transactions', as defined in clause 20.5.1(c) of the Exchange Agreement – see clause 3.2.2.

Term	Definition
CP(dt,d)	Price for a Gas Day for the Settlement of a Capacity Variance Quantity.
CR	Capacity Rate is applied in the adjustment of settlement amounts in the event a capacity transfer is adjusted following a failed validation. The value of CR for all Capacity Products is 0.25.
CTQ(dt,d)	Capacity Transfer Quantity (in GJ) for a Gas Day and Capacity Transfer. The Capacity Transfer Quantity for a Delivering Participant has a negative sign.
CTR	Close out Transaction Rate applicable for a relevant Transaction to be closed out under clause 20.5 of the Exchange Agreement. The value of CTR for all Physical Gas Products is 0.25.
CVC(p,d)	Charge payable by a Trading Participant for a Capacity Variance Quantity for a Gas Day – see clause 3.1.13.
CVP(p,d)	Payment to a Trading Participant for a Capacity Variance Quantity for a Gas Day – see clause 3.1.12.
CVQ(dt,d)	Capacity Variance Quantity for a capacity transfer and Gas Day is the difference between the Capacity Transfer Quantity and the Confirmed Capacity Quantity.
DA(r,d)	Dollar Reallocation Amount for a Gas Day.
Dm	Multiplier applied to the Rolling Average Price (RAP) when determining the future Reallocation Amount for the Prudential Exposure calculation for a Debit Participant – see clause 5.3.2. The value of dm is 1.25.
DP(dt,d)	Price for a Gas Day for the Settlement of a Delivery Variance Quantity – see clause 3.1.7.
DQ(dt,d)	Delivery Quantity (in GJ) for a Gas Day under a Delivery Obligation.
DRC(p,r,d)	Dollar Reallocation Amount for a Market Participant as the Credit Participant for a Dollar Reallocation and a Gas Day – see clause 4.3.1.
DRD(p,r,d)	Dollar Reallocation Amount for a Market Participant as the Debit Participant for a Dollar Reallocation and Gas Day – see clause 4.3.1.
DSA(p,d)	Delivery Settlement Adjustment that reduces the Settlement Amount of the Delivering Participant for any Delivery Obligations where the gas delivery information has not been confirmed in accordance with clause 15 of the Exchange Agreement – see clause 5.1.2.
DVC(p,d)	Charge payable by a Trading Participant for a Delivery Variance Quantity for a Gas Day – see clause 3.1.9.
DVP(p,d)	Payment to a Trading Participant for a Delivery Variance Quantity for a Gas Day – see clause 3.1.8.
DVQ(p,dt,d)	The Delivery Variance Quantity (in GJ) for a Market Participant for a Delivery Obligation and Gas Day is the difference between the Delivery Quantity and the Actual Delivery Quantity. The sign of DVQ for a Trading Participant depends on its role in the delivery of gas and actual quantity of gas relative to the gas delivery obligation. A positive value of DVQ represents a scenario where: for the Delivering Participant, the actual quantity of gas delivered is less than the Delivery Quantity under the Delivery Obligation ( $ADQ < DQ$ ), and For the Receiving Participant, the actual quantity of gas delivered is greater than the Delivery Quantity under the Delivery Obligation ( $ADQ > DQ$ ) A positive value of DVQ will result in a charge to the Trading Participant.



Term	Definition
EP(p,bp)	An early payment for a Billing Period made by a Market Participant prior to the date on which it is payable.
EPA(p)	Early Payment Amount, being the total of early payments (EP) made by a Market Participant – see clause 5.1.1(b).
ERC(p,r,d)	Energy Reallocation Amount for a Market Participant as the Credit Participant for an Energy Reallocation and Gas Day – see clause 4.3.2.
ERD(p,r,d)	Energy Reallocation Amount for a Market Participant as the Debit Participant for an Energy Reallocation and Gas Day – see clause 4.3.2.
FDRC(p,r)	Forward estimate for Dollar Reallocations for the Credit Participant – see clause 5.3.2.
FDRD(p,r)	Forward estimate for Dollar Reallocations for the Debit Participant – see clause 5.3.2.
FERC(p,r)	Forward estimate for Energy Reallocations for the Credit Participant – see clause 5.3.2.
FERD(p,r)	Forward estimate for Energy Reallocations for the Debit Participant – see clause 5.3.2.
FRA(p)	Forward Reallocation Amount for a Market Participant – see clause 5.3.3.
FSA(p,bp)	Final Statement Settlement Amount for Market Participant p and Billing Period bp – see clause 4.4.
FTE(m)	Forward Trading Exposure for a Member – see clause 5.4.
GQ(r,d)	Energy Reallocation Quantity (in GJ) for a Gas Day.
GST(d)	GST rate expressed as a percentage for Gas Day d. (For example, 10%)
GSTBP(p,bp)	GST amount included in a Final Statement in accordance with clause 18.9 of the Exchange Agreement.
INE(p)	Initial Settlement Estimate for Gas Days that have not yet been included in a Final Statement – see clause 5.1.2(b).
IQ(dt,d)	Invalid Quantity is the quantity of a Trading Participant's Capacity Transfer that fails validation as communicated to AEMO by the relevant Facility Operator in the Capacity Transfer Status file. AEMO may determine the Invalid Quantity in the event that a Trading Participant's Capacity Transfer fails an STTM validation in accordance with the Capacity Transfer and Auction Procedures.
ITA(dt,d)	Invalid Transfer Amount for a Gas Day and Capacity Transfer – see clause 3.1.11.
MPF(p,d)	Market Participant Participation Fee calculated on a monthly basis and payable by a Market Participant in respect of the first Gas Day of each Billing Period – see clause 4.2.1.
NTQ(m,d,l)	Net Transaction Quantity for a Member, being the difference between its aggregate quantity of buy and sell Transactions for a Gas Day and Trading Location – see clause 5.2.3.
LADQ(dt,d)	Actual Location Swap Service Quantity for Gas Day d and Delivery Obligation dt
LPBA(p,d)	Low Pressure Settlement Adjustment for Receiving Participant (p) for Gas Day (d) - see clause 4.1.1.
LPSA(p,d)	Low Pressure Settlement Adjustment for Delivering Participant (p) for Gas Day (d) - see clause 4.1.1.
LPR	Low Pressure Settlement Adjustment Rate is \$0.15/GJ.
LSVC(p,d)	Location Service Variance Charge for Trading Participant p for Gas Day d.
LSVP(p,d)	Location Service Variance Payment for Trading Participant p for Gas Day d.

Term	Definition
LVQ(p,dt,d)	Location Swap Service Variance Quantity for Trading Participant p, for Gas Day d and Delivery Obligation dt.
NIQ(l,d)	Net Invalid Quantity for Gas Day d and Trading Location l. A positive value reflects the scenario where Capacity Transfers of one or more Receiving Participants are revised down by the relevant Facility Operator due to the failed validation of one or more Delivering Participants.
NSI(p,dt,d)	The Net Swap Imbalance for Trading Participant p, for Gas Day d and Delivery Obligation dt.
NSIC(p,d)	Net Swap Imbalance Charge for Trading Participant p for Gas Day d.
NSIP(p,d)	Net Swap Imbalance Payment for Trading Participant p for Gas Day d.
OA(p)	Outstanding Amount for a Market Participant is the aggregate of settlement amount billed or estimated for gas days in the past – see 5.1.3.
OFQ(m,d,l)	Offset Quantity for a Gas Day and Trading Location for a Member.
OPA(p,d)	Offset Purchase Amount for a Gas Day payable by a Defaulting Participant in respect of an Offset Quantity – see clause 3.2.1.
OSA(p,d)	Offset Sale Amount for a Gas Day payable to a Defaulting Participant in respect of an Offset Quantity – see clause 3.2.1.
OTF(p,dt,d)	Outside Tolerance Flag for a Trading Participant, Delivery Transaction and Gas Day, indicating whether a Trading Participant is responsible for a Delivery Variance Quantity outside the tolerance level (OTL) – see clause 3.1.6.
OTL	Outside Tolerance Level for the delivery or receipt of a Delivery Quantity. The Outside Tolerance Level for all Physical Gas Products is 0.05.
OTR	Outside Tolerance Rate for the delivery or receipt of a Delivery Quantity. The Outside Tolerance Rate for all Physical Gas Products is 0.25.
PE(m)	Prudential Exposure for a Member.
PCC(p,d)	The Capacity Charge for Gas Day d and Market Participant p:
PCP(p,d)	The Capacity Payment for Gas Day d and Market Participant p:
PGC(p,d)	Physical Gas Charge for a Gas Day for a Buyer for the Transaction Quantity under a Physical Gas Transaction – see clause 4.1.3.
PGP(p,d)	Physical Gas Payment for a Gas Day for a Seller for the Transaction Quantity under a Physical Gas Transaction – see clause 4.1.2.
RAP(pd,l)	Rolling Average Price determined on a processing day pd, being the average of the Average Prices (AP) for the most recent 30 Gas Days see clause 5.3.1.
RSA(p,bp)	Revised Statement Settlement Amount for a Market Participant and Billing Period – see clause 4.5.
RVE(p)	Revised Settlement Estimate for Market Participant p – see clause 5.1.2(d).
S(d)	Seller Margin Rule applied to the value of trades in accordance with the Prudential Methodology to determine an estimate of the Prudential Exposure for Transactions for which a Member is the Seller or the Delivering Participant - see clause 5.2.1.
SD(p,s,bp)	A Security Deposit s to be applied in respect of a Market Participant for a Billing Period, determined in accordance with the Exchange Agreement.
SNP(p)	Settlement Amount not due for payment – see clause 5.1.1.
TF(c)	Transaction fee payable for a transaction with Product Delivery Period c as specified in the Exchange Fees.

Term	Definition
TP(t)	Transaction Price (\$ / GJ) for Transaction t.
TQ(t,d,c,l)	Transaction Quantity (GJ / day) for Transaction t. Transaction Quantity is inclusive of any adjustment as a result of the application of clause 20.5 of the Exchange Agreement.
TQR(t,d)	Transaction Quantity Reduction (in GJ) resulting from the Close Out and Offset Procedure, being the value of 'TQR' as determined under clause 20.5.3 or 20.5.4 of the Exchange Agreement.
TRC(p,d)	Total Reallocation payment for a Market Participant and Gas Day for Reallocations where the Market Participant is the Credit Participant – see clause 4.3.3.
TRD(p,d)	Total Reallocation charge for a Market Participant and Gas Day for Reallocations where the Market Participant is the Debit Participant – see clause 4.3.3.
TSDA(p)	The total amount of Security Deposit for a Market Participant that has not yet been applied to a Settlement Statement.
TTF(p,d)	The total Transaction fees (TF) payable by Trading Participant p for transactions entered into on Gas Day d.

### 3. RULES METHODOLOGY

#### 3.1. Delivery Variance Amounts

##### 3.1.1. Delivery Variance Quantity

Delivery Variance Quantity for Physical Gas Transactions except for Location Swap Transactions.

- (a) The Delivery Variance Quantity for Trading Participant p, being the Delivering Participant, for Gas Day d and Delivery Obligation dt is calculated as:

$$DVQ(p,dt,d) = DQ(dt,d) - ADQ(dt,d).$$

- (b) The Delivery Variance Quantity for Trading Participant p, being the Receiving Participant, for Gas Day d and Delivery Obligation dt is calculated as:

$$DVQ(p,dt,d) = ADQ(dt,d) - DQ(dt,d).$$

##### 3.1.2. Capacity Variance Quantity

Capacity Variance Quantity for Capacity Transactions.

- (a) The Capacity Variance Quantity for Trading Participant p, for Gas Day d and Capacity Transfer dt is calculated as:

$$CVQ(p,dt,d) = CCQ(dt,d) - CTQ(dt,d).$$

*Example: Buyer has part of their capacity transfer completed by the facility operator.*

$$\begin{aligned}
 \text{Capacity Variance Quantity} &= \text{Confirmed Capacity Quantity} - \text{Capacity Transfer Quantity} \\
 &= 8,000 - 10,000 \\
 &= -2,000
 \end{aligned}$$

### 3.1.3. Net Invalid Transfer Quantity

Net Invalid Transfer Quantity for a gas day and trading location.

$$NIQ(l,d) = \sum_l IQ(dt^P,d) - \sum_l IQ(dt^R,d).$$

Where:

- $dt^P$  is a Capacity Transfer where the participant is the Delivering Participant.
- $dt^R$  is a Capacity Transfer where the participant is the Receiving Participant.

### 3.1.4. Net Swap Imbalance

Net Swap Imbalance is determined for Location Swap Transactions only.

- (a) The Net Swap Imbalance for Trading Participant  $p$ , being the Buyer, for Gas Day  $d$  and Delivery Obligation  $dt$  is calculated as:

$$NSI(p,dt,d) = ADQR(dt,d) - ADQD(dt,d).$$

- (b) The Net Swap Imbalance for Trading Participant  $p$ , being the Seller, for Gas Day  $d$  and Delivery Obligation  $dt$  is calculated as:

$$NSI(p,dt,d) = ADQD(dt,d) - ADQR(dt,d).$$

### 3.1.5. Location Swap Service Variance Quantity

Location Swap Service Variance Quantity is determined for Location Swap Transactions only.

- (a) The Actual Location Swap Service Quantity for Gas Day  $d$  and Delivery Obligation  $dt$  is calculated as:

$$LADQ(dt,d) = \text{Min}(ADQD(dt,d),ADQR(dt,d))$$

If the party responsible for any variation from the Delivery Quantity is the Buyer then the Actual Location Swap Service Quantity is equal to the Delivery Quantity.

- (b) The Location Swap Service Variance Quantity for Trading Participant  $p$ , being the Buyer for Gas Day  $d$  and Delivery Obligation  $dt$  is calculated as:

$$LVQ(p,dt,d) = LADQ(dt,d) - DQ(dt,d)$$

- (c) The Location Swap Service Variance Quantity for Trading Participant  $p$ , being the Seller for Gas Day  $d$  and Delivery Obligation  $dt$  is calculated as:

$$LVQ(p,dt,d) = DQ(dt,d) - LADQ(dt,d)$$

### 3.1.6. Outside Tolerance Flag

A value for the Outside Tolerance Flag (OTF) will be defined in accordance with Table 1 for each Delivery Obligation, Gas Day and Trading Participant using gas delivery information submitted and confirmed by the Delivering Participant and Receiving Participant in accordance with clause 15 of the Exchange Agreement.

**Table 1: Value of Outside Tolerance Flag**

Variation from Delivery Quantity	Reason for variance	Receiving Participant (OTF(p,dt,d))	Delivering Participant (OTF(p,dt,d))
Within tolerance $ABS(DVQ(p,dt,d)) < (OTL \times DQ(dt,d))$ $ABS(NSI(p,dt,d)) < (OTL \times DQ(dt,d))$ $ABS(LVQ(p,dt,d)) < (OTL \times DQ(dt,d))$	Delivery, Receipt and No Fault	0	0
Outside tolerance $ABS(DVQ(p,dt,d)) \geq (OTL \times DQ(dt,d))$	No fault	0	0
$ABS(NSI(p,dt,d)) \geq (OTL \times DQ(dt,d))$	Delivery	-1	1
$ABS(LVQ(p,dt,d)) \geq (OTL \times DQ(dt,d))$	Receipt	1	-1

**3.1.7. Delivery Variance Price**

If Delivery Netting applies to a Transaction, then the Delivery Variance Price (DP) is equal to the Average Price (AP) for that Gas Day and Trading Location. If Delivery Netting does not apply to a Transaction, DP is equal to the Transaction Price (TP). For the purposes of Settlement, Delivery Netting is taken to apply to a Transaction if specified in the Product Specification, even if the Delivery Netting process could not be applied on a particular Gas Day.

- (a) Average Price for Gas Day d and Trading Location l includes all Physical Gas Transactions with a Delivery Period that includes (or is within) Gas Day d.

$$AP(d,l) = \frac{\sum_c \sum_{t^*} (TP(t^*) \times TQ(t^*,d,c,l))}{\sum_c \sum_t TQ(t^*,d,c,l)}$$

Where:

- (i) t\* is a variant of t that excludes Transactions formed as a Pre-matched Trade.
- (ii) If there are no Physical Gas Transactions for Gas Day d and Trading Location l then AP(d,l) will equal the calculation for the nearest preceding Gas Day for which there were such Transactions.
- (iii) For each of the 30 Gas Days immediately preceding the Market Start Date, AP for all Trading Locations is equal to \$5.00.

Note: The Average Price will be an input into the Settlement of Energy Reallocations and as such a value is required for each Gas Day.

- (b) Delivery Variance Settlement Price for Delivery Obligation dt and Gas Day d:

$$DP(dt,d) = \begin{cases} AP(d,l) & \text{If dt formed as part of:} \\ \bullet \text{ Delivery Netting Schedule, or} \\ \bullet \text{ the Close Out and Offset Procedure.} \\ \text{Else} & TP(t) \text{ of the corresponding Transaction (t)} \end{cases}$$

**3.1.8. Capacity Variance Price**

Average Price for Gas Day d and Trading Location l includes all Physical Capacity Transactions t with a Delivery Period that includes Gas Day d.

$$AP(d,l) = \frac{\sum_c \sum_t (TP(t) \times TQ(t,d,c,l))}{\sum_c \sum_t TQ(t,d,c,l)}$$

### 3.1.9. Delivery Variance Payment

Delivery Variance Payment for Trading Participant p across for Gas Day d:

$$\begin{aligned} DVP(p,d) = & \sum_{dt} \text{Min} (DVQ(p,dt,d) \times DP(dt,d) \\ & + \text{ABS}(DVQ(p,dt,d)) \times \text{OTF}(p,dt,d) \times DP(dt,t) \times \text{OTR}, 0). \end{aligned}$$

### 3.1.10. Delivery Variance Charge

Delivery Variance Charge for Trading Participant p for a Gas Day d:

$$\begin{aligned} DVC(p,d) = & \sum_{dt} \text{Max} (DVQ(p,dt,d) \times DP(dt,d) \\ & + \text{ABS}(DVQ(p,dt,d)) \times \text{OTF}(p,dt,d) \times DP(dt,d) \times \text{OTR}, 0). \end{aligned}$$

### 3.1.11. Delivery Variance Amounts for Location Swaps

(a) Net Swap Imbalance Payment for Trading Participant p for Gas Day d:

$$\begin{aligned} \text{NSIP}(p,d) = & \sum_{dt} \text{Min} (\text{NSI}(p,dt,d) \times \text{BP}(d) \\ & + \text{ABS}(\text{NSI}(p,dt,d)) \times \text{OTF}(p,dt,d) \times \text{BP}(d) \times \text{OTR}, 0). \end{aligned}$$

(b) Net Swap Imbalance Charge for Trading Participant p for a Gas Day d:

$$\begin{aligned} \text{NSIC}(p,d) = & \sum_{dt} \text{Max} (\text{NSI}(p,dt,d) \times \text{BP}(d) \\ & + \text{ABS}(\text{NSI}(p,dt,d)) \times \text{OTF}(p,dt,d) \times \text{BP}(d) \times \text{OTR}, 0). \end{aligned}$$

(c) Location Service Variance Payment for Trading Participant p across for Gas Day d:

$$\begin{aligned} \text{LSVP}(p,d) = & \sum_{dt} \text{Min} (\text{LDVQ}(p,dt,d) \times \text{TP}(t) \\ & + \text{ABS}(\text{LDVQ}(p,dt,d)) \times \text{OTF}(p,dt,d) \times \text{TP}(t) \times \text{OTR}, 0). \end{aligned}$$

(d) Location Service Variance Charge for Trading Participant p for a Gas Day d:

$$\begin{aligned} \text{LSVC}(p,d) = & \sum_{dt} \text{Max} (\text{LDVQ}(p,dt,d) \times \text{TP}(t) \\ & + \text{ABS}(\text{LDVQ}(p,dt,d)) \times \text{OTF}(p,dt,d) \times \text{TP}(t) \times \text{OTR}, 0). \end{aligned}$$

Delivery Variance Amounts for Location Swaps will be invoiced as 'ad hoc' payments or charges in Settlement Statements.

### 3.1.12. Invalid Transfer Amount

(a) Invalid Transfer Amounts for Trading Participant p as a Receiving Participant for Gas Day d and Capacity Transfer dt is calculated as:

If  $\text{NIQ}(l,d) > 0$

$$\text{ITA}(dt,d) = (\text{CVQ}(dt,d) + \text{IQ}(dt,d)) \times \text{CP}(dt,d) \times \text{CR}$$

If  $\text{NIQ}(l,d) < 0$

$$\text{ITA}(dt,d) = \text{IQ}(dt,d) / \sum_l \text{IQ}(dt^R,d) \times \text{NIQ}(l,d) \times \text{CP}(dt,d) \times \text{CR}$$

Note that if NIQ is 0 then no Invalid Transfer Amount is applicable.

Where:

- $dt^R$  is a capacity transfer where the participant is a Receiving Participant.

(b) Invalid Transfer Amounts for Trading Participant p as a Delivering Participant for Gas Day d and Capacity Transfer dt is calculated as:

If  $\text{NIQ}(l,d) > 0$

$$ITA(dt,d) = IQ(dt,d) / \sum_l IQ(dt^p,d) \times NIQ(l,d) \times CP(dt,d) \times CR$$

If  $NIQ(l,d) < 0$

$$(A) \quad ITA(dt,d) = (IQ(dt,d) - CVQ(dt,d)) \times CP(dt,d) \times CR$$

Where:

- $dt^p$  is a Capacity Transfer where the participant is a Delivering Participant.

Note that if  $NIQ$  is 0 then no Invalid Transfer Amount is applicable.

Note that  $NIQ$  will be positive in the event that Receiving Participant transfers are adjusted down due to the failed transfer of one or more Delivering Participants.

### 3.1.13. Capacity Variance Payment

Capacity Variance Payment for Trading Participant  $p$  for Gas Day  $d$ :

$$CVP(p,d) = \sum_{dt} (\text{Min} (CVQ(p,dt,d) \times CP(dt,d) + ITA(dt,d), 0))$$

### 3.1.14. Capacity Variance Charge

Capacity Variance Charge for Trading Participant  $p$  for a Gas Day  $d$ :

$$CVC(p,d) = \sum_{dt} (\text{Max} (CVQ(p,dt,d) \times CP(dt,d) + ITA(dt,d), 0))$$

## 3.2. Close Out Amounts and Offset Amounts

### 3.2.1. Offset Settlement Amounts

Offset Settlement Amounts are payable to or by a Defaulting Participant.

- (a) Offset Purchase Amount for Transactions where the Defaulting Participant  $p$  is the Buyer:

$$OPA(p,d) = \sum_c \sum_l \sum_t (TP(t) \times TQ(t,d,c,l)).$$

- (b) Offset Sale Amount for Transactions where the Defaulting Participant  $p$  is the Seller:

$$OSA(p,d) = \sum_c \sum_l \sum_t (TP(t) \times TQ(t,d,c,l) \times -1).$$

Offset Settlement Amounts will be invoiced as 'ad hoc' payments or charges in Settlement Statements.

### 3.2.2. Close Out Settlement Amounts

Calculated for the Defaulting Participant and any Trading Participants that are party to a relevant Transaction for Gas Day  $d$ .

- (a) Close Out Amount for Trading Participant  $p$  who is a Defaulting Participant for Gas Day  $d$ :

$$COA(p,d) = \sum_t (TQR(t,d) \times TP(t) \times CTR)$$

- (b) Close Out Amount for Trading Participant  $p$  who is not a Defaulting Participant for Gas Day  $d$ :

$$COA(p,d) = \sum_t (TQR(t,d) \times TP(t) \times CTR \times -1)$$

Close Out Amounts will be invoiced as 'ad hoc' payments or charges in Settlement Statements.

### 3.2.3. Worked example of Close Out and Offset Settlement Amounts

The worked example outlined in this section presents the settlement calculations associated with the close out and offset worked example in 20.5.7 of the Exchange Agreement.

- (a) M is in default. Gas Day D+2 is determined to be the Close Out Effective Date. For that Gas Day the Operator identifies the following transactions due for delivery at the QGP Trading Location:
- (i) Transaction 1: N as Seller to deliver 8 TJ to M as Buyer at \$5/GJ
  - (ii) Transaction 2: O as Seller to deliver 12 TJ to M as Buyer at \$6/GJ
  - (iii) Transaction 3: M as Seller deliver 4 TJ to P as Buyer at \$4/GJ
  - (iv) Transaction 4: M as Seller to deliver 6 TJ to Q Buyer at \$6/GJ.
- (b) Operator determines adjusted Transaction Quantities (clause 20.5.3 or 20.5.4 of the Exchange Agreement):
- (i) Transaction 1: N's Transaction Quantity is adjusted down to 4 TJ, leaving 4 TJ to be closed out (TQR).
  - (ii) Transaction 2: O's Transaction Quantity is adjusted down to 6 TJ, leaving 6 TJ to be closed out (TQR).
- (c) Close Out Amount for:
- (i) M as the Defaulting Participant:
    - Transaction 1:  $4,000 \text{ GJ} \times \$5/\text{GJ} \times 0.25 = \$5,000$
    - Transaction 2:  $6,000 \text{ GJ} \times \$6/\text{GJ} \times 0.25 = \$9,000$
    - COA = \$14,000
  - (ii) N as a non-Defaulting Participant:
    - Transaction 1:  $4,000 \text{ GJ} \times \$5/\text{GJ} \times 0.25 \times -1 = -\$5,000$
    - COA = -\$5,000
  - (iii) O as a non-Defaulting Participant:
    - Transaction 2:  $6,000 \text{ GJ} \times \$6/\text{GJ} \times 0.25 \times -1 = -\$9,000$
    - COA = -\$9,000
- (d) Offset Settlement Amounts for M as the Defaulting Participant
- (i) Offset Purchase Amount:
    - Transaction 1:  $4,000 \text{ GJ} \times \$5/\text{GJ} = \$20,000$
    - Transaction 2:  $6,000 \text{ GJ} \times \$6/\text{GJ} = \$36,000$
    - OPA = \$56,000
  - (ii) Offset Sale Amount:
    - Transaction 3:  $4,000 \text{ GJ} \times \$4/\text{GJ} = -\$16,000$
    - Transaction 4:  $6,000 \text{ GJ} \times \$6/\text{GJ} = -\$36,000$
    - OSA = -\$52,000
  - (iii) The aggregate Offset Settlement Amount is \$4,000 representing a payment by M.



## 4. SETTLEMENT AMOUNTS

### 4.1. Settlement of Physical Gas Transactions

The Transaction Quantity under a Physical Gas Transaction is settled at the Transaction Price. Physical Gas Settlement Amounts are aggregated across all Trading Locations for a Gas Day.

#### 4.1.1. Low Pressure Settlement Adjustment

- (a) The Low Pressure Settlement Adjustment for Trading Participant p as a Receiving Participant under Delivery Obligation dt for Gas Day d:

$$LPBA(p,d) = \sum_{dt^*} (LPR \times DQ(dt^*,d))$$

Where dt\* is a Delivery Obligation with a Delivery Point listed in Schedule 2, Part 1, clause 6 of the Exchange Agreement.

- (b) The Low Pressure Settlement Adjustment for Trading Participant p as a Delivering Participant under Delivery Obligation dt for Gas Day d:

$$LPSA(p,d) = \sum_{dt^*} (LPR \times DQ(dt^*,d))$$

Where dt\* is a Delivery Obligation with a Delivery Point listed in Schedule 2, Part 1, clause 6 of the Exchange Agreement.

#### 4.1.2. Physical Gas Payment

The Physical Gas Payment for Trading Participant p as a Seller under Physical Gas Transactions t for Gas Day d:

$$PGP(p,d) = \sum_c \sum_l \sum_t (TP(t) \times TQ(t,d,c,l) \times -1) + LPSA(p,d)$$

#### 4.1.3. Physical Gas Charge

The Physical Gas Charge for Trading Participant p as a Buyer under Physical Gas Transactions t for Gas Day d:

$$PGC(p,d) = \sum_c \sum_l \sum_t (TP(t) \times TQ(t,d,c,l)) - LPBA(p,d)$$

## 4.2. Settlement of Physical Capacity Transactions

### 4.2.1. Capacity Payment

The Capacity Payment for Trading Participant p as a Seller under Physical Capacity Transactions t for Gas Day d:

$$PCP(p,d) = \sum_c \sum_l \sum_t (TP(t) \times TQ(t,d,c,l) \times -1)$$

### 4.2.2. Capacity Charge

The Capacity Charge for Trading Participant p as a Buyer under Physical Capacity Transactions t for Gas Day d:

$$PCC(p,d) = \sum_c \sum_l \sum_t (TP(t) \times TQ(t,d,c,l))$$

## 4.3. Market Fees

### 4.3.1. Participation Fee

Market Participant Participation Fee for Market Participant p and Gas Day d:

$$MPF(p,d^*) = ATF / 12$$

$$+ \text{Number of additional licences} \times \text{ALF} / 12$$

$$+ \text{ARF} / 12$$

Where  $d^*$  is the first Gas Day of the relevant Billing Period.

Note: The participation fee for Viewing Participants will be invoiced annually and will not be part of Settlement under clause 18 of the Exchange Agreement.

#### 4.3.2. Transaction Fee

The total transaction fee for Trading Participant  $p$  for Gas Day  $d$ :

$$\text{TTF}(p,d) = \sum_c (\sum_t \sum_l \sum_{d'} (\text{TQ}(p,d',c,l) \times \text{TF}(c)))$$

Where  $d'$  is a Gas Day included in Transactions executed on Gas Day  $d$ .

Note: Transaction fees are payable in respect of the day on which the Transaction was formed, not in respect of the Delivery Period for the Transaction.

For example, the fee for a Transaction for delivery on Gas Day 1 May 2014 that was transacted on 21 April 2014 is payable as part of Settlement for Gas Day 21 April 2014.

### 4.4. Reallocation Settlement Amounts

#### 4.4.1. Dollar Reallocation Amount

Dollar Reallocations transfer the Settlement of a specified Dollar Reallocation Amount between the Debit Participant and the Credit Participant.

- (a) Dollar Reallocation Amount for Market Participant  $p$  as the Debit Participant for Dollar Reallocation  $r$  and Gas Day  $d$ :

$$\text{DRD}(p,r,d) = \text{DA}(r,d)$$

- (b) Dollar Reallocation Amount for Market Participant  $p$  as the Credit Participant for Dollar Reallocation  $r$  and Gas Day  $d$ :

$$\text{DRC}(p,r,d) = \text{DA}(r,d) \times -1$$

#### 4.4.2. Energy Reallocation Amount

Energy Reallocations transfer the Settlement of an amount, based on a specified Energy Reallocation Quantity, between the Debit Participant and the Credit Participant.

- (a) Energy Reallocation Amount for Market Participant  $p$  as the Debit Participant for Energy Reallocation  $r$  and Gas Day  $d$ :

$$\text{ERD}(p,r,d) = \text{GQ}(r,d) \times \text{AP}(d,l)$$

- (b) Energy Reallocation Amount for Market Participant  $p$  as the Credit Participant for Energy Reallocation  $r$  and Gas Day  $d$ :

$$\text{ERC}(p,r,d) = \text{GQ}(r,d) \times \text{AP}(d,l) \times -1$$

#### 4.4.3. Daily Settlement Reallocation Amounts

- (a) Reallocation charge for Market Participant  $p$  for Gas Day  $d$  for Reallocations where Market Participant  $p$  is the Debit Participant:

$$\text{TRD}(p,d) = \sum_r (\text{DRD}(p,r,d) + \text{ERD}(p,r,d))$$

- (b) Reallocation payment for Market Participant  $p$  for Gas Day  $d$  for Reallocations where Market Participant  $p$  is the Credit Participant:

$$TRC(p,d) = \sum_r(DRC(p,r,d) + ERC(p,r,d))$$

#### 4.5. Settlement Amounts (Billing Period Settlement Amount)

The Settlement Amount for Market Participant p for Billing Period bp:

$$\begin{aligned} FSA(p,bp) = & \sum_d (PGP(p,d) + PGC(p,d) + DVP(p,d) + DVC(p,d) \\ & + PCP(p,d) + PCC(p,d) + CVP(p,d) + CVC(p,d) \\ & + MPF(p,d) + TTF(p,d) + TRD(p,d) + TRC(p,d) \\ & + AHP(p,d) + AHC(p,d)) \end{aligned}$$

Where d is a Gas Day within Billing Period bp to which a Final Statement relates.

#### 4.6. Revision of Settlement Amounts (Billing Period Settlement Amount)

The revised Settlement Amount for Market Participant p for billing period bp:

$$\begin{aligned} RSA(p,bp) = & \sum_d (PGP(p,d) + PGC(p,d) + DVP(p,d) + DVC(p,d) \\ & + PCP(p,d) + PCC(p,d) + CVP(p,d) + CVC(p,d) \\ & + MPF(p,d) + TTF(p,d) + TRD(p,d) + TRC(p,d) \\ & + AHP(p,d) + AHC(p,d)) \end{aligned}$$

Where d is a Gas Day within Billing Period bp to which a Revised Statement relates.

Note: the revised Settlement Amount represents Settlement based on the latest revised information for a particular Billing Period. Payment of the Final Statement has already occurred for this period and as such the adjustment amount (ADA) is the difference between the Revised Statement and the Final Statement as well as any interest applicable in accordance with clause 18.4(c) of the Exchange Agreement.

### 5. PRUDENTIAL EXPOSURE

The Prudential Exposure equations in this section do not reference a specific gas day. Prudential Exposure is determined for the processing day using the latest input information.

#### 5.1. Outstanding Amounts

##### 5.1.1. Settlement Amount not due for payment

- (a) Settlement Amount not due for payment is the total amount that is to be paid to or by a Market Participant in respect of a Final Statement that has been issued to the Market Participant but for which the payment due date is in the future.

$$\begin{aligned} SNP(p) = & \sum_{bp} FSA(p,bp) + \sum_{bp} ADA(p,bp) + GSTBP(p,bp) \\ & - \sum_s \sum_{bp} SD(p,s,bp) \end{aligned}$$

Where bp is a Billing Period for which the Operator has issued a Final Statement but for which the payment due date is in the future.

Note: The calculation includes Security Deposits that have been applied to a Final Statement.

- (b) Early Payment Amount is the aggregate of payments made by Market Participant p in respect of a Final Statement that is not yet due for payment:

$$EPA(p) = \sum_{bp} EP(p,bp)$$

Where bp is a Billing Period for which the Operator has issued a Final Statement but for which the payment due date is in the future.

### 5.1.2. Settlement amounts not invoiced

AEMO will determine an indicative Settlement Amount for Gas Days that have not yet been included in a Final Statement (Initial Settlement Estimate - INE) or a Revised Statement (Revised Settlement Estimate - RVE) based on the most recent Transaction information and notifications of delivered quantities provided to the Operator.

The Initial Settlement Estimate includes a Delivery Settlement Adjustment (DSA) that reduces the Settlement Amount of the Delivering Participant for any Delivery Obligations where the gas delivery information has not been confirmed in accordance with clause 15 of the Exchange Agreement.

- (a) Delivery Settlement Adjustment for Trading Participant p where it is the Delivering Participant of Delivery Obligation dt:

$$DSA(p,d) = \sum_{dt} (DQ(dt,d) \times DP(dt,d) \times S(d))$$

Where:

- (i) The Actual Delivered Quantity (ADQ(t,d)) for Delivery Obligation dt and Gas Day d has not been confirmed by the Receiving Participant and the Delivering Participant.
- (ii) DP is the Delivery Variance Settlement Price determined in accordance with 3.1.7(b) of the Settlements Methodology.
- (b) Initial Settlement Estimate for Market Participant p:

$$\begin{aligned} INE(p) = & \sum_d [(PGP(p,d) + PGC(p,d) + DVP(p,d) + DVC(p,d) \\ & + PCP(p,d) + PCC(p,d) + CVP(p,d) + CVC(p,d) \\ & + MPF(p,d) + TTF(p,d) + TRD(p,d) + TRC(p,d) \\ & + AHP(p,d) + AHC(p,d) \\ & + DSA(p,d) \times (1 + GST(d))] \end{aligned}$$

Where Gas Day d occurs after the most recent Gas Day included in a Final Statement issued under the Exchange Agreement.

Note: Initial Settlement Estimates for CVP(p,d) and CVC(p,d) will be determined for any Gas Day d for which a Capacity Transfer has been processed, which may occur up to 14 days in advance.

- (c) Total Security Deposit Amount is the aggregate Security Deposit balance of a Market Participant not yet applied to a Settlement Statement.

$$TSDA(p) = \sum_s \sum_{bp} SD(p,s,bp)$$

Where bp is a Billing Period for which the Operator has not yet issued a Final Statement.

Note: The calculation includes Security Deposits that have not been applied to a Final Statement.

Prior to the issue of a Revised Statement, the Prudential Exposure will include an estimate of the Adjustment amount based on the difference between the latest information for a particular gas day and the amount billed in the Final Statement for that period.

- (d) Revised Settlement Estimate is the recalculation of Settlement Amounts for Market Participant p based on latest the Settlement input information.

$$\begin{aligned}
 RVE(p) = & \sum_d [(PGP(p,d) + PGC(p,d) + DVP(p,d) + DVC(p,d) \\
 & + PCP(p,d) + PCC(p,d) + CVP(p,d) + CVC(p,d) \\
 & + MPF(p,d) + TTF(p,d) + TRD(p,d) + TRC(p,d) + AHP(p,d) + AHC(p,d)) \\
 & \times (1 + GST(d))]
 \end{aligned}$$

Where Gas Day d has been included in a Final Statement but has not been included in a Revised Statement issued under the Exchange Agreement.

- (e) Billed Amount is the aggregate of amounts previously billed to Market Participant p in Final Statements for relevant Billing Periods.

$$BA(p) = \sum_{bp} (FSA(p,bp) + GSTBP(p,bp))$$

Where bp is a Billing Period for which the Operator has issued a Final Statement, but not a Revised Statement.

- (f) Adjustment estimate for Market Participant p:

$$AE(p) = RVE(p) - BA(p).$$

### 5.1.3. Outstanding Amount

- (a) Outstanding Amount for Market Participant p:

$$OA(p) = SNP(p) - TSDA(p) - EPA(p) + INE(p) + AE(p)$$

## 5.2. Forward Exposure

### 5.2.1. Prudential Margin Rules

Prudential margin rules are applied to the face value of a Trading Participant’s net portfolio position to estimate the potential Settlement exposure associated with its Physical Gas Transactions and Capacity Transactions. The values of the Buyer Margin Rule (B(d)) and the Seller Margin Rule (S(d)) for different reference periods are defined below in Table 2.

Where d\* is the most recent Gas Day included in a Final Statement.

**Table 2: Margin Values Physical Gas Transactions**

Date Range	Buyer Margin Rule (B(d))	Seller Margin Rule (S(d))	
		Normal rule	Strict Seller Margin Rule*
d* < d < pd	0	0.20	1.25
pd ≤ d ≤ pd + 1	1	0.80	-0.25
pd + 1 < d ≤ pd + 6	1	-0.25	-0.25
d > pd + 6	0.25	-0.25	-0.25

**Table 3: Margin Values Capacity Transactions**

Date Range	Buyer Margin Rule (B(d))	Seller Margin Rule (S(d))	
		Normal rule	Strict Seller Margin Rule*
pd ≤ d ≤ pd + 14	1	1	-0.25
d > pd + 14	0.25	-0.25	-0.25

\* Strict Seller Margin Rule applies where either:

- the relevant Member is or has been subject to a Trading Halt in the 3 months before the Gas Day to which the rule is being applied; or
- a Suspension Event occurred in relation to the relevant Member in the 3 months before the Gas Day to which the rule is being applied and, in response to that Suspension Event, the Operator determined to apply the Strict Seller Margin Rule in lieu of a Trading Halt.

### 5.2.2. Average Buy and Sell Price

- (a) Average Buy Price for Member m, Gas Day d and Trading Location l:

$$ABP(m,d,l) = \frac{\sum_c \sum_{t'} (TP(t') \times TQ(t',d,c,l))}{\sum_c \sum_{t'} (TQ(t',d,c,l))}$$

Where t' is a Positive Value Transaction or Order traded or submitted by Member m.

- (b) Average Sell Price for Member m, Gas Day d and Trading Location l:

$$ASP(m,d,l) = \frac{\sum_c \sum_{t''} (TP(t'') \times TQ(t'',d,c,l))}{\sum_c \sum_{t''} (TQ(t'',d,c,l))}$$

Where t'' is a Negative Value Transaction traded by Member m.

### 5.2.3. Trading Position

- (a) Net Transaction Quantity for Member m for Gas Day d:

$$NTQ(m,d,l) = \sum_c \sum_{t'} TQ(t',d,c,l) - \sum_c \sum_{t''} TQ(t'',d,c,l)$$

Where:

- t' is a Positive Value Transaction or Order traded or submitted by Member m.
- t'' is a Negative Value Transaction traded by Member m.

- (b) Offset Quantity for Member m for Gas Day d:

$$OFQ(m,d,l) = \text{MIN}(\sum_c \sum_{t'} (TQ(t',d,c,l)), \sum_c \sum_{t''} (TQ(t'',d,c,l)))$$

Where:

- t' is a Positive Value Transaction or Order traded or submitted by Member m.
- t'' is a Negative Value Transaction traded by Member m.

### 5.2.4. Forward Trading Exposure

- (a) Forward Trading Exposure for Member m:

$$FTE(m) = \sum_d \sum_l [\text{If} \{ NTQ(m,d,l) > 0,$$

$$\text{Then } NTQ(m,d,l) \times ABP(m,d,l) \times B(d),$$

$$\text{Else } NTQ(m,d,l) \times ASP(m,d,l) \times S(d)\}$$

$$+ OFQ(m,d,l) \times (ABP(m,d,l) - ASP(m,d,l)) \times (1+GST(d))]$$

Where Gas Day d ≥ processing day.

## 5.3. Forward Settlement Reallocation Exposure

### 5.3.1. Rolling average price

- (a) Rolling Average Price for Trading Location l:

$$RAP(pd,l) = \sum_d AP(d,l) / 30$$

Where pd - 29 days ≤ d ≤ pd.

### 5.3.2. Forward amount per Reallocation

- (a) Forward estimate for Dollar Reallocation  $r$  where Market Participant  $p$  is the Debit Participant:

$$FDRD(p,r) = \sum_d (DA(r,d))$$

Where  $p_d \leq d \leq p_d + 131$  days.

- (b) Forward estimate for Dollar Reallocation  $r$  where Market Participant  $p$  is the Credit Participant:

$$FDRC(p,r) = \sum_d (DA(r,d) \times -1)$$

Where  $p_d \leq d \leq p_d + 124$  days.

- (c) Forward estimate for Energy Reallocation  $r$  where Market Participant  $p$  is the Debit Participant:

$$FERD(p,r) = \sum_d (GQ(r,d,l) \times RAP(p_d-1,l) \times dm)$$

Where  $p_d \leq d \leq p_d + 131$  days.

- (d) Forward estimate for Energy Reallocation  $r$  where Market Participant  $p$  is the Credit Participant:

$$FERC(p,r) = \sum_d (GQ(r,d,l) \times RAP(p_d-1,l) \times cm \times -1)$$

Where  $p_d \leq d \leq p_d + 124$  days.

Note: A Reallocation is considered over a longer potential period for the Debit Participant as it may take a period of time to deregister a Reallocation if a Default Event occurs.

### 5.3.3. Forward Reallocation Amount

Forward Reallocation Amount is the aggregate of forward reallocation estimates for Market Participant  $p$ :

$$FRA(p) = \sum_r (FDRD(p,r) + FDRC(p,r) + FERD(p,r) + FERC(p,r))$$

### 5.4. Prudential Exposure

For the purposes of the Exchange Agreement, the Prudential Exposure of Member  $m$  on the processing day is:

$$PE(m) = \sum_p (OA(p) + FRA(p)) + FTE(m)$$

Where Market Participant  $p$  is registered to Member  $m$ .