

IMPACT IMPLEMENTATION REPORT (IIR)

Summary Section

For AEMO to complete and administer.

Issue Number	17		
Impacted Jurisdiction(s)	Queensland, New South Wales, South Australia, Victoria, Tasmania, Northern Territory, Australian Capital Territory		
Proponent	Mark Anderson	Company	AEMO
Affected Gas Market(s)	• Gas Supply Hub	Consultation process (Ordinary or Expedited)	Ordinary
Industry Consultative forum(s) used	GSH Reference Group		
Short Description of change(s)	Amendments to the Gas Supply Hub Exchange Agreement to: <ul style="list-style-type: none"> • make non-netted Monthly contracts available for trading for the next 6 months (rather than 3 months). • Increase the time allowed for AEMO to issue trade confirmation and delivery obligation reports before relevant transactions are void. • Amend the delivery points for the MSP and Moomba Non-Netted products. 		
Procedure(s) or Documentation impacted	Gas Supply Hub Exchange Agreement		
Summary of the change(s)	Gas Supply Hub Exchange Agreement: <ul style="list-style-type: none"> • amendments to the 'Trading Window' for non-netted Monthly products in Product Specification schedules 13 and 20. • amendments to clauses 13.4 and 14.7.3 (trade confirmation and delivery obligation reports respectively) to increase the time allowed for AEMO to issue trade confirmation and delivery obligation reports before relevant transactions are void. • Remove the Moomba Gas Plant delivery point from the MSP Trading Location (schedules 9, 12, 13, 26, 27, 28). Change the name of the Moomba Compound notional trade point to Moomba Low Pressure Trade Point. 		

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Approved By

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**Date Consultation under
135EE or 135EF concludes**

21 June 2019

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IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

1. DESCRIPTION OF CHANGE(S) AND REASONS FOR CHANGE(S)

1.1. Extending the Trading Window for Monthly Products

In response to feedback from members, AEMO has initiated a consultation on changes to extend the trading window for Monthly products from 3 months to 6 months.

AEMO views the proposal to list longer dated products as an opportunity to align the Gas Supply Hub with Electricity contracts and the ASX Wallumbilla and Victorian Gas futures products, allowing for greater facilitation of cross-commodity trades, fuel hedging and in managing planned outages.

AEMO issued a Discussion Paper for consultation which closed late March requesting participant feedback on the following options:

- Option 1 – extend monthly contracts for pre-matched trading only, an additional 12 months was proposed in the paper.
- Option 2 – quarter and calendar year products; on-screen and pre-matched

The majority of submissions supported a staged approach with Option 1 being implemented as a first step.

However, subsequent testing by AEMO has identified a performance issue with the real-time prudential check when parameters are increased to allow for an additional 12 monthly contracts. The negative impact on the performance of the application means that AEMO is unable to list 12 additional monthly contracts at this point in time.

Following further testing and system analysis, AEMO proposes that monthly contracts will be available for trading on a 6-month rolling basis with 3 months available on-screen (as is currently available) and a further 3 months to be listed for pre-matched, non-netted trading only.

AEMO's initial analysis has identified a code change to the real-time prudential application that would alleviate the performance issue. AEMO will consider the code change as part of a future system release and at that time would consult on a further extension of the trading window for monthly products .

1.2. Amend fall-back timing for Trade Confirmation and Delivery Obligation reports

Delivery Obligation Report

On 28 February AEMO released applications into the GSH production systems in preparation for the Capacity Trading Platform (CTP) and Day Ahead Auction (DAA) markets commencing on 1 March 2019. Among the applications was a new version of the GSH Delivery Netting application; a defect inadvertently introduced to application in the release resulted in a failure to publish the Delivery Obligation report for commodity transactions by the cut-off time of 3pm. In accordance with 14.7.3 of the EA, AEMO was required to void the transactions for the relevant delivery schedule.

The events that occurred 28 February were disruptive, and it is important that AEMO take steps to avoid a reoccurrence of the event in the future.

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.



In addition, it is proposed that additional time is given to AEMO to resolve an issue impacting the publication of the Delivery Obligations report. Timeframe was initially set such that the delivery schedule was always provided to participants prior to the pipeline nomination cut-off time. Initial feedback from members was that, provided incidents were rare, additional time should be provided to AEMO to resolve an incident before voiding relevant transactions. Consistent with this feedback, AEMO proposes a change to 14.7.3 to move the cut-off time for publication of the Delivery Obligation report from 3pm to 7pm.

Trade Confirmation Reports

As a result of the incident on 28 February, AEMO also considered the current cut-off time for the publication of the Trade Confirmation report outlined in clause 13.5. The EA currently allows 15 minutes from the time of a transaction for the Trade Confirmation report to be published. If the cut-off time is missed then AEMO is required to void the relevant transaction.

The cut-off time for the publication of the Trade Confirmation report was set at a relatively short period of time at the commencement of the market because trades for on-the-day products required delivery to commence at the start of the next hour. The on-the-day products subsequently changed to a fixed volume delivery obligation and as such a change to allow more time for the publication of Trade Confirmation reports is not likely to impact upon the delivery of a trade. To avoid the disruption associated with the voiding of transactions, AEMO proposes a change to clause 13.4 to allow more time to resolve an incident before being required to void a transaction.

1.3. MSP delivery points

AEMO received feedback from members that due to uncertainty of receipt points when trading an MSP product, some participants prefer to deal OTC where the receipt point is agreed prior to execution. The uncertainty arises as the convention for the MSP product is that the seller specifies the delivery point for the trade (being either the Moomba Gas Plant or Moomba Compound Trade Point).

To address this uncertainty, AEMO propose a change to remove the Moomba Gas Plant delivery point for on-screen trading. The Moomba Gas Plant delivery point would be retained for pre-matched, non-netted trades only. This is similar to Wallumbilla where additional delivery points are permitted for pre-matched, non-netted trades.

The MSP on-screen product would just allow use of the Moomba Compound Trade Point (Moomba Low Pressure Trade Point). AEMO also propose to re-name the Moomba Compound Trade Point the Moomba Low Pressure Trade Point for consistency between the GSH and CTP/DAA terminology.

2. REFERENCE DOCUMENTATION

The following documents provide a reference to the proposed amendments:

- GSH Exchange Agreement

3. THE HIGH LEVEL DETAILS OF THE CHANGE(S) TO THE EXISTING PROCEDURES

3.1. Extending the Trading Window for Monthly Products

Current

3 monthly contracts are available for on-screen trading on the GSH.



Proposed

3 monthly contracts available for on-screen trading and a further 3 months to be available for pre-matched, non-netted trading only.

See Attachment A

3.2. **Amend fall-back timing for Trade Confirmation and Delivery Obligation reports**

Clause 13.5(b)

Amend the confirmation time from 15 minutes to 4 hours

Clause 14.7.3(b)

Amend the delivery schedule time from 3:00pm to 7:00pm

See Attachment A

3.3. **MSP Delivery Points**

Changes as described in section 2. See Attachment A

4. EXPLANATION REGARDING THE ORDER OF MAGNITUDE OF THE CHANGE

The proposed amendment is a non-material change to current market operations but will provide participants additional flexibility to use the GSH's standardised contracts and prudentials for longer dated trades.

ASSESSMENT OF LIKELY EFFECT OF PROPOSAL

5. OVERALL INDUSTRY COST / BENEFIT (TANGIBLE / INTANGIBLE / RISK) ANALYSIS AND/OR COST ESTIMATES

Costs:

- AEMO anticipates no additional costs to gas trading exchange members implementing this proposal.

Benefits:

- Longer dated products to allow for greater facilitation of cross-commodity trades, fuel hedging and in managing planned outages.
- Minimise likelihood that a market systems incident requires AEMO to void relevant transactions.
- Consistency in terminology across markets and facility operator

Risks:

- AEMO does not foresee any issues implementing this change.



6. THE LIKELY IMPLEMENTATION EFFECT OF THE CHANGE(S) ON STAKEHOLDERS

Incorporated in section 5 above.

The proposed amendment will have no impact on existing products and operations. It will provide participants with the additional ability to register longer dated pre-matched, non-netted trades via the GSH.

7. TESTING REQUIREMENTS

AEMO will release the proposed changes to pre-production ahead of the production release to allow participants to carry out any testing they require.

8. AEMO'S PRELIMINARY ASSESSMENT OF THE PROPOSAL'S COMPLIANCE WITH SECTION 135EB:

Consistency with NGL and NGR

The NGR provisions relating to the gas trading exchange requires the Exchange Agreement to set out, amongst other things, a description of the products offered on the exchange and process for amending the Exchange Agreement.

Potential compliance costs

AEMO believes the costs to gas trading exchange members in implementing this proposal are minimal. AEMO does not believe there will be any ongoing costs to gas trading exchange members to comply with this proposal.

9. CONSULTATION FORUM OUTCOMES

AEMO consulted with participants on extending the trading window for Monthly Products via a Discussion Paper in February 2019. The majority of feedback supported a staged approach to allow an extended trading window for pre-matched trading (Option 1) to be implemented as a first step.

Consultation for the proposed timing changes to the Trade Confirmation and Delivery Obligations reports, the MSP Delivery Point changes and the re-naming of the Moomba Compound trade Point were carried out at the GSHRG meeting in April 2019. No material issues were raised in this consultation.



RECOMMENDATION(S)

10. SHOULD THE PROPOSED PROCEDURES BE MADE, (WITH OR WITHOUT AMENDMENTS)?

AEMO recommends that the proposed amendments be made to the Gas Supply Hub Exchange Agreement.

11. IF APPLICABLE, A PROPOSED EFFECTIVE DATE FOR THE PROPOSED CHANGE(S) TO TAKE EFFECT AND JUSTIFICATION FOR THAT TIMELINE.

The proposed effective date for changes to the GSH Exchange Agreement is 1 August 2019.

AEMO will provide market participants with 15 business days notice prior to commencement.

ATTACHMENT A – DOCUMENTATION CHANGES (SEE SECTION 3)

Blue represents additions ~~Red~~ and strikeout represents deletions – Marked up changes shown only in sections with changes.

Schedule #	Trading Window
Schedule: 13	<p>Monthly Gas (Moomba)</p> <p>For a Delivery Period commencing on Gas Day D, Trading Hours on each Gas Day commencing 3 calendar months and 1 calendar day prior to the calendar month in which Gas Day D falls and ending on D-2 prior to the commencement of the calendar month in which Gas Day D falls.</p> <p>For a Pre-matched Trade where the Trading Participants have specified that Delivery Netting is not to apply, the Trading Window for Gas Day D are Trading Hours on each Gas Day commencing 6 calendar months and 1 calendar day prior to the calendar month in which Gas Day D falls and ending on D-2 prior to the commencement of the calendar month in which Gas Day D falls.</p>
Schedule: 20	<p>Monthly Physical Gas (Wallumbilla)</p> <p>For a Delivery Period commencing on Gas Day D, Trading Hours on each Gas Day commencing 3 calendar months and 1 calendar day prior to the calendar month in which Gas Day D falls and ending on D-2 prior to the commencement of the calendar month in which Gas Day D falls.</p> <p>For a Pre-matched Trade where the Trading Participants have specified that Delivery Netting is not to apply, the Trading Window for Gas Day D are Trading Hours on each Gas Day commencing 6 calendar months and 1 calendar day prior to the calendar month in which Gas Day D falls and ending on D-2 prior to the commencement of the calendar month in which Gas Day D falls.</p>

Clause 13.5(b)

Any Transaction formed through the Trading System is void if the Operator fails to send a confirmation (or information purporting to be a confirmation) to the Trading Participants by means of the Trading System within ~~15 minutes~~ 4 hours after the time the Transaction was formed.

Clause 14.7.3(b)

If the Operator is unable to make a delivery schedule available under either clause 14.7.2 or paragraph (a) by 3:00 pm on D-1, each Relevant Transaction is taken to be void immediately after that time, but only to the extent of the parties' obligations to deliver, receive and pay for Physical Gas on the relevant Gas Day.

Schedule 3

Trading Locations and Delivery Points

MSP Trading Location (Moomba transfer points on the MSP)	Moomba Gas Plant	Interconnection of the Moomba Gas Plant and SWQP at Moomba
	Moomba Compound notional trade point Moomba Low Pressure Trade Point	Any notional trading point within the SWQP Moomba Compound nominated by the Gas Transporter at which transfers of title in gas can be effected

Amend Schedules 9, 10, 11, 12, 13, 26, 27, 28

Delivery Point	<p>The MSP Trading Location, at the Delivery Point specified in the Order, being one of the following:</p> <p>Moomba Gas Plant</p> <p>Moomba Compound notional trade point Moomba Low Pressure Trade Point</p> <p>As defined in schedule 3 for the MSP Trading Location.</p>
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Amend Schedules 14, 15, 16, 31, 32

Default Base Product Delivery Point	<p>Moomba Compound notional trade point Moomba Low Pressure Trade Point (set out in schedule 3, item 2)</p>
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