

## LEGISLATIVE FRAMEWORK: RESPONSE TO SUBMISSIONS ON THE AMENDMENTS TO THE NGR for the STTM

During July and August 2009, the Ministerial Council on Energy (MCE) Standing Committee of Officials (SCO) sought comments from interested parties on the proposed amendments to the National Gas Rules (NGR) to establish the Short Term Trading Market (STTM).

Eight submissions were received. Seven of these submissions are available on the MCE's website at:

[http://www.ret.gov.au/Documents/mce/emr/gas\\_market\\_dev/pngsa-submissions1.html](http://www.ret.gov.au/Documents/mce/emr/gas_market_dev/pngsa-submissions1.html)

The following table sets out the issues raised during this consultation process and SCO's responses.

Item	Stakeholder	Rule no.	Subject Matter	Comment	SCO Response
<b>General Comments</b>					
1.	Retailers, Networks	General	STTM start date	<ul style="list-style-type: none"> <li>The STTM should commence in the fourth quarter of 2010 (on 1 October 2010) rather than in June.</li> </ul>	<p><b>Noted</b></p> <p>In the July 2009 meeting communiqué, MCE noted that the enabling legislation for the STTM was expected to be introduced to the South Australian Parliament in September 2009, in preparation for a June 2010 market start.</p>
2.	Pipelines and networks	General	Cap on liability	The liability cap of \$2 million per claimant/event for pipelines is too high and the \$1 cap that applies to AEMO staff should apply to staff of pipelines.	<p><b>Not Accepted</b></p> <p>Given the importance placed on STTM information providers should face appropriate liability for providing inadequate information. SCO therefore considers that the \$2 million per incident liability cap that currently applies in the Declared Wholesale Gas Market is appropriate for the STTM.</p> <p>SCO also considered that it is not appropriate to extend the \$1 liability cap for AEMO officers and employees to the staff of service providers given the</p>

Item	Stakeholder	Rule no.	Subject Matter	Comment	SCO Response
					fundamental differences between a not-for-profit entity performing public functions and for-profit commercial businesses.
3.	Pipelines and networks	General	NSW Gas Supply Continuity Scheme	<p>Pipelines and networks would prefer that the Rules are an effective replacement for the NSW Supply Continuity Scheme.</p> <p>In order to meet the objectives of that scheme, it recommends that the STTM Contingency Gas Procedures are largely taken from the NSW Supply Continuity Scheme.</p>	<p><b>Noted</b></p> <p>The retention or otherwise of the NSW Gas Supply Continuity Scheme is being considered by the NSW Government.</p> <p>The Gas Market Leaders Group considered this issue in the design of the STTM, as reflected in the Conditions (for the STTM) under the Gas Market Development Principles. Features of the NSW Gas Supply Continuity Scheme will be reflected in the Contingency Gas Rules and Procedures.</p>
4.	Pipelines and networks	General	CPRS	CPRS costs and any other costs imposed by changes to legislation and regulation should be allowed to be passed through in a manner similar to the GST clause included in the Rules.	<p><b>Noted</b></p> <p>This issue is being considered by the Department of Climate Change as part of the development of the CPRS.</p>
5.	Pipelines and networks	Market Parameters	CPI	The Rules should allow for automatic CPI increases in the market parameters. If not, there should be an annual review.	<p><b>Not Accepted</b></p> <p>It is not considered appropriate that these values should be escalated automatically by CPI as this is not undertaken in other energy markets.</p> <p>Division 11 of the NGR amendments provides for the periodic review of the market parameters.</p>

Part 1 – Preliminary					
6.	Retailer	135ABA	Registrable capacities	The term “Registrable capacities” when used to refer to the categories in which a person may participate in the STTM is unfortunate since it can be confused with the pipeline or network capacity that is registered with AEMO.	<p><b>Not Accepted</b></p> <p>Registrable capacity is a term used in the NGL to refer to classes of persons that participate in a market.</p> <p>The term has been used in the NGL to define participants in the Declared Wholesale Gas Market, Retail Gas Market and the STTM. Consistent with the NGL, the term has been used in the Rules to define the persons required to be registered in accordance with Part 15A.</p>
7.	Producer	135ABA (1)	Registrable capacities	Sub-Rule 1(a)(ii) and 1(a)(iv) should be amended to include “STTM” prior to the words producer and storage provider as the intent is to capture producers and storage providers directly connected to the STTM hub.	<p><b>Accepted</b></p> <p>The drafting will be clarified.</p>
8.	Producer	135ABA (2)	Registrable capacities	This Rule should be amended to include “intends to” prior to “participate” as it is possible for persons to have valid contractual arrangements with STTM facility owners but not be accepted for registration or may be de-registered by AEMO in accordance with the requirements of Part 15A.	<p><b>Not Accepted</b></p> <p>As noted in item 6, a person who participates in the STTM in a registrable capacity as an STTM Shipper or STTM User is required to apply for registration in accordance with Part 15A. This requirement is consistent with the obligations contained in the NGL amendments (section 91BRC and 91BRD).</p> <p>It is noted that all contracted capacity is in the market even if it is not being used. Division 5 of the Rules require contracts and trading rights to be registered with AEMO.</p>

9.	Pipelines and Networks	135EA	Procedures	<p>The items to be addressed in Procedures should be limited and there should be a formal consultation process prior to material amendment of Procedures.</p> <p>Once the initial procedures are drafted, there should be an opportunity for industry to review the balance of the Rules and Procedures to ensure that the procedures are procedural in nature.</p>	<p><b>Noted</b></p> <p>It is intended that the STTM Procedures will deal with levels of technical detail and procedural matters that are not appropriate for, but will be guided by, the Rules.</p> <p>Amendments to the STTM Procedures will be guided by the requirements of the Rules and be conducted in accordance with the procedure change process contained in Part 15B of the Rules.</p> <p>The initial STTM Procedures are expected to be released in November 2009 for a period of public consultation before they are made by AEMO.</p>
10.	Pipelines and Networks	General	Registration fees	Registration fees should be reasonable.	<p><b>Noted</b></p> <p>Section 91E of the NGL and Part 15A Division 3 of the NGR set out the framework for development and recovery of fees and charges for services provided by AEMO in accordance with the NGL, Rules or the Procedures, and carrying out functions imposed by jurisdictional instruments. AEMO, under Rule 135CA(3) is required to consult on its proposed fee structure in accordance with the extended consultative procedure (see Rule 9A).</p>
<b>Part 20 – Short Term Trading Market Rules</b>					
<b>Division 1 – Preliminary</b>					
11.	Producer	Definitions	STTM facility operator	Sub clause (b) should be amended to read “for any other STTM facility, a person who owns, controls or operates that facility” given there are multiple persons able to enter into contracts associated with the provision of services from an STTM production facility.	<p><b>Accepted</b></p> <p>The intent of the definition is to define the STTM facility operator for an STTM storage facility and STTM production facility, being a person who owns, controls or operates the facility. It is this</p>

					<p>person who has obligations to provide information in accordance with Division 4 and Division 5 of the Rules.</p> <p>If there is more than one such person they will all be STTM facility operators, but any one of them can meet their joint Rules obligations on behalf of the others. Section 10 of the NGL addresses this for pipeline service providers. The Rules will be amended to include similar provisions for STTM storage and production facility operators.</p>
12.	Producer	Definitions	STTM production facility	<p>The definition of STTM production facility should be amended to better align with the definition of STTM storage facility and STTM pipeline – to ensure that the definition specifically indicates that an STTM production facility must be directly connected to the STTM hub. It is suggested that the definition be amended to include “...suitable for and has the ability to be injected directly from...” or remove the phrase “so that it is in a form suitable”.</p>	<p><b>Accepted</b></p> <p>The definition of an STTM production facility will be amended to make clear that an STTM production facility is a facility that is directly connected to the STTM distribution system rather than the definition being interpreted as releasing gas to the facility for injection into the distribution system.</p> <p>STTM storage facility is currently defined in the same way as an STTM production facility. Both definitions will be reviewed as above and remain aligned.</p>
13.	Producer	Definition	Gas quality specification	<p>Changes in gas quality specifications should only be made following consultation with STTM Shippers.</p>	<p><b>Noted</b></p> <p>The intent of the definition is to pick up the current gas quality specific requirements that are specified in the relevant access arrangement and jurisdictional instruments.</p> <p>The intent of this definition is not to amend these or vary how they are determined.</p>

14.	Retailer	Definition	"Phantom" MOS-pipeline deviation and MOS gas	<p>"Phantom" MOS is problematic for the STTM and if generated may result in a loss of confidence in market processes and outcomes. AGL suggests two changes to address this issue:</p> <ul style="list-style-type: none"> <li>• Introduce an additional sub-Rule in the definition of pipeline deviation in Rule 364 to the effect that nominations made by an STTM Shipper and accepted by an STTM pipeline operator in (a) must be in good faith and must physically be able to be delivered on the day.</li> <li>• Expand the definition of MOS gas in Rule 364 to the effect that MOS gas cannot be scheduled by a shipper or pipeline operator because MOS gas is balancing gas, which therefore must be ex post in nature.</li> </ul>	<p><b>Accepted in part</b></p> <p>SCO recognises the possibility of "phantom MOS", but is also mindful of the need to minimise the potential for inconsistency/duplication between the Rules and transportation contracts where possible. The Rules will be amended to clarify that the pipeline nominations process cannot be used for the purpose of creating an artificial pipeline deviation.</p>
15.	Retailer	91BRI	Compliance with STTM Procedures	AEMO should be subject to the same standard of compliance as participants.	<p><b>Noted</b></p> <p>AEMO will be subject to the same compliance requirements in the STTM as it is in other regulated gas markets.</p>

16.	Retailer	91BRI	Compliance with STTM Procedures	There should be a general self reporting requirement in the Rules or law that, similar to the requirements in the NSW and SA retail markets, requires all parties to report any suspected breach committed by themselves or another party.	<b>Not Accepted</b> Self reporting of breaches is considered inappropriate for the STTM given the greater financial exposure of participants over the retail gas markets.
17.	Retailer	367	Compliance with STTM interface protocol	AEMO should be required to comply with the interface protocol otherwise this may lead to miscommunication or unsuccessful transmission of information to participants.	<b>Accepted</b> The drafting will be clarified to ensure that all communications (including communications by AEMO) comply with the STTM interface protocol unless Part 20 requires otherwise.  AEMO will be permitted to waive compliance with the protocol by participants and other persons in specific circumstances. AEMO will not be able to waive compliance for its own communications or for communications from AEMO.
18.	Pipelines and Networks	367	STTM interface protocol	Include a statement in the Rules to the effect that AEMO will consult and attempt to reflect substantive points made in the consultation in the final protocol or, in the event substantive points are in conflict, AEMO will publish reasons why certain substantive points were not accepted.	<b>Not Accepted</b> Rule 8 and 9 (standard consultative and expedited consultative procedure) provide sufficient guidance on how AEMO is to conduct the process, including requiring AEMO to give reasons for its decision.

Division 4 – Information about STTM facilities and STTM distribution systems					
19.	Retailer	Division 4 (generally)	STTM facility information	<p>Consideration should be given to obligating AEMO to publish some of the registration details provided by the STTM facility operator (i.e. perhaps 377 (1)(d), (e) and (f)).</p> <p>Publication of this more general registration information will enable participant's in house market models to better mimic the dispatch engine used by AEMO (without compromising commercial confidentiality).</p>	<p><b>Noted</b></p> <p>Rule 378(3) already requires AEMO to publish a list of STTM facilities and STTM distribution systems to which it has registered information. This covers the request to publish the information relating to the items listed in Rule 377(1)(d).</p> <p>In relation to the publication of information provided under Rule 377(1)(e) and (f) – which are default values, it is noted that under Division 7 of the STTM Rules (Rule 415), an STTM facility operator is required to, by 11am on D-1, D-2 and D-3, provide to AEMO the expected capacity for each gas day. The Rules (Rule 415(3)) also require AEMO to publish this information in accordance with a time specified in the STTM Procedures. The capacity information provided by the STTM facility operator under Rule 377(1)(e) and (f) will be published, if used by AEMO for the purposes of Division 7.</p> <p>In summary, the Rules require the expected capacity used for the ex ante market to be published by AEMO. This information is more relevant to trading participants than the static default values.</p>
Division 5 – Registration of Services and Trading Rights					
20.	Pipelines and Networks	380	Information	Information which is kept by AEMO should be kept confidential to the extent it is marked confidential or it is otherwise indicated that the information is confidential.	<p><b>Noted</b></p> <p>AEMO's general regime, in Chap 2 Part 6 Div 7 of the NGL, for handling confidential information will apply to information provided for the STTM.</p>

21.	Producer	381	Contract holder to provide information to AEMO	The chapeau should be amended to include “a contract holder <u>who wishes to participate in the STTM</u> must provide...”. This is suggested to ensure that information must be provided by persons wishing to participate in the STTM but is not a mandatory requirement for those holding contractual rights with STTM facilities who are not able to or do not wish to exercise these rights within the STTM context.	<b>Not Accepted</b> See item 8. Further, the STTM is a contract carriage market. This requires that all capacity contracts and trading rights to be registered with AEMO.
22.	Retailer	383(2)(b)	Confirmation of information	The contract issuer should be obligated to give reasons for rejecting information provided by a contract holder and AEMO should be obligated to pass on this data under Rule 384 (2).	<b>Not Accepted</b> Rules 384(1) and 384(2) require the contract holder to be informed, as soon as practicable, if the contract issuer has confirmed or rejected the information. It is expected that the contract holder and contract issuer would communicate during this process. Further, as this is a contractual matter, it is appropriate that such an issue should be addressed directly between the contractual parties rather than through AEMO.
23.	Retailer	386	Additional trading rights	Consideration should be given in the registration process for an additional trading right by the contract holder to be confirmed by the Trading Participant as the counterparty to the registration process before Rule 387 occurs.	<b>Not Accepted</b> Consistent with the Detailed Market Design, information about the additional trading right is provided by the contract holder in respect of a registered facility service. It is expected that confirmation of that information occurs between the contract holder and the relevant trading participant before that information is provided to AEMO. Further, AEMO is guided by the contract issuer, unlike the facility service process which is initiated by the contract holder rather than the contract issuer.

Division 6 – Market Operator Services					
24.	Network	Division 6 (generally)	MOS	Notes disappointment that the Daily MOS proposal was not pursued by the Gas Market Leaders Group, noting its potential benefits.	<p><b>Noted</b></p> <p>SCO notes that the issues surrounding Daily MOS (DMOS) among other MOS matters, have been considered by the GMLG. At its 30 June 2009 meeting, the GMLG deferred all further consideration of the DMOS proposal until after market start.</p> <p>SCO also notes that the Rules provide for a review of MOS arrangements shortly after market start.</p>
25.	Pipelines and Networks	Division 6 (generally)	MOS	The Rules state that a person must not submit a MOS offer unless they are an eligible contract holder. However the original agreed design allows for pipeline operators to register as a trading participant and submit MOS offers. Pipeline operators should not have to contract with themselves, so the Rules should be amended to reflect the agreed design in this regard.	<p><b>Not Accepted</b></p> <p>Any person who wishes to provide MOS must be registered with AEMO as an STTM Shipper under Part 15A of the Rules and be an eligible contract holder. It is noted that a pipeline operator itself will not fall within a registrable capacity in Rule 135ABA(1).</p> <p>For transparency purposes, it would be expected that a pipeline operator should provide MOS (if it so wishes) through a related entity on the basis of contracted capacity.</p>
26.	Pipelines and Networks	Division 6 (generally)	MOS	The definition for the MOS increase stack and decrease stack infer that the pipeline operator is to allocate MOS gas according to the order they appear in the MOS stack. However, pipelines have been advised they have discretion in allocating MOS.	<p><b>Not Accepted</b></p> <p>Rule 422 states that a pipeline deviation (determined by a pipeline operator) is to be allocated as MOS to MOS providers in accordance with the applicable MOS stack. After the MOS stack is exhausted, pipeline deviations are to be allocated as overrun MOS to STTM shippers in accordance with applicable allocation</p>

					agreement for that pipeline.
27.	Retailer	Division 6 (generally)	MOS	The market's funding for MOS will be on a pay-as-bid basis. Has this fundamental aspect of MOS been codified in the Rules?	<b>Noted</b> Consistent with the other elements of the settlement provisions for a trading participant, it is proposed that this not be specified in the Rules but made clear in the STTM Procedures.
28.	Retailer	399	MOS estimate	"Best" should be inserted before "estimate" and "at the time" after this word.	<b>Not Accepted</b> The current wording in the Rules is considered appropriate and the suggested additions do not appear to amend the requirement on AEMO.
29.	Retailer	401(3)	Conditions for submission of MOS increase and decrease offers	Consideration should be given to limiting the regulatory obligations of the contract holder in this clause to what can be reasonably managed.	<b>Noted</b> Rule 401 appropriately notes that a shipper cannot offer MOS unless it has contracts in place on a pipeline that entitles it to deliver that gas and that shippers must continue to maintain that situation during the term of the MOS offer. If it does not, the Rules require the shipper to advise AEMO accordingly, and AEMO, under Rule 404, would delete the relevant MOS offer from the MOS stack.
30.	Retailer	401(3)	Conditions for submission of MOS increase and decrease offers	This clause appears to prohibit the swapping of MOS capacity and ex ante haulage capacity on a daily basis. This means that MOS providers will need to contract twice the capacity that is nominated in MOS Offers/Bids. This arrangement is likely to result in the inefficient deployment of existing pipeline capacity and it will make the funding of unnecessary future pipeline augmentation more probable.	<b>Not Accepted</b> A central part of the design of the MOS arrangements is that MOS providers have a firm obligation to provide MOS in accordance with their MOS offers on any day. The adoption of the proposal, as suggested, would change this key element of the MOS design.
31.	Retailer	401 (3)	Overrun MOS	MOS is allocated by a pipeline operator to relevant shippers under Rule 422. Given that MOS gas is not replenished until D+2, it may	<b>Accepted in Part</b> See item 29 and 30.

				<p>prove difficult for a MOS provider to be able to offer firm MOS on D+1 if all of its firm MOS as well as overrun MOS have been called by the Market Operator on gas day D.</p> <p>Relief should be granted to the MOS provider from supplying firm MOS on D+1 under these circumstances. This could be given effect by additional wording to Rule 422(4).</p>	<p>Amendments will be made to the Rules to relax the firmness of MOS offers, but only to the extent that compliance is affected by overrun MOS. This recognises that overrun MOS is involuntary.</p>
32.	Retailer	403(2)	MOS stacks	<p>Rule 403(2) states that a MOS stack may “indicate that two or more price steps are to have equal priority”. The Rules are silent on how MOS is dispatched when there are equal and beneficial offers.</p>	<p><b>Amend</b></p> <p>The Rules will include an obligation that in instances where there are two or more price steps in the MOS stack which have equal priority, these must be allocated on a pro-rata basis.</p>
33.	Pipelines and Networks	405(1)	Procurement or provision of MOS by AEMO.	<p>AEMO should always be required to be advised by an industry body and not be permitted to determine themselves if MOS is required.</p>	<p><b>Not Accepted</b></p> <p>AEMO should retain the discretion to initiate a review of the provision of MOS without advice from an industry committee.</p>
34.	Retailer	405(4)(b)	Procurement or provision of MOS by AEMO	<p>In instances where AEMO invests in MOS provision, an entirely separate dispatch and pricing mechanism should be used for this part of the MOS required on any gas day.</p> <p>This will prevent double recovery of MOS costs from participants through participant fees and through MOS costs.</p>	<p><b>Accepted in Part</b></p> <p>The Rules will be amended to include principles that any MOS procurement proposals under Rule 405 should ensure:</p> <ul style="list-style-type: none"> <li>• the need to minimise costs, in particular double payment by trading participant for the provision of MOS; and</li> <li>• the commercial provision of MOS should not be undermined by AEMO’s procurement.</li> </ul>

Division 7 – Market Operations					
35.	Retailer	407(5), 418(1) and 417	Scheduling and pricing	Rule 407(5) states AEMO must determine where no feasible scheduling solution is possible within the constraint imposed. Rule 418(1) places an explicit obligation on AEMO to produce an ex ante schedule for each hub for each gas day. The Rule is silent as to what AEMO does next to schedule the ex ante market.	<b>Accepted</b> The Rules will be clarified to make it clear that where there is no feasible scheduling solution under Rule 407(5), the result will be an administered market state under subdivision 6.
36.	Retailer	408(4)(a)	Scheduling of the ex ante market	The current description of a “price taker bid” may be problematic because ultimately all customer consumption that normally would be non discretionary can be modified at the request of the STTM user. For example, during network curtailment a STTM user can (and does) request (normally non price sensitive end user) to modify their demand in response to an order from the network operator.  Consideration should be given to more simply defining “price taker bids” to mean - that demand which the STTM User intends to withdraw from a hub on a gas day and which is not included as an ex ante bid.	<b>Accepted</b> The drafting has been clarified to recognise that non discretionary load can be modified at the request of the STTM user.
37.	Retailer	410(1) and (2)	Ex ante and price taker bids	The words “and the withdrawal quantity is not part of a Price Taker Bid” should be added at the end of the sentence.	<b>Not Accepted</b> This concept is appropriately captured in the definitions of ex ante bids and price taker bid.
38.	Retailers	411(3)	Disclosure of price taker bids	Whilst it is proper to disclose aggregated price-taker-bids, individual forecasts should remain confidential even after the end-of-the-gas-day.	<b>Accepted</b> The Rules will be amended to make clear this information is confidential. However, the total quantity of price taker bids for a hub will be reported after the end of the gas day.

39.	Retailer	412(1)	Timing of submissions of ex ante offers, ex ante bids and price taker bids	<p>This clause appears to relate only to Price Taker Bids, in respect of Ex Ante Offers and Ex Ante Bids, a Trading Participant does not “expect” to deliver quantities of natural gas to or withdraw from the market. Rather, we suggest that the lodgement of an Offer/Bid is more accurately defined as a conditional undertaking to withdraw or to supply gas to the market if (and only if) the price paid/received is sufficient to satisfy the value in the related Offer/Bid quantity step.</p> <p>This same price quantity relationship should also be part of the last sentence in this clause (which currently only refers to quantity).</p>	<p><b>Accepted</b></p> <p>The drafting has been clarified.</p>
40.	New Rule	412(1)	Meaning of good faith bidding	<p>The good faith bidding requirements should be aligned with the NEM and the Declared Wholesale Gas Market.</p>	<p><b>Noted</b></p> <p>The STTM Rules have been amended to address the meaning of the 'good faith' requirement in relation to the submission of offers and bids in the STTM.</p> <p>The intent of this provision is to clarify that at the time a bid or offer is made it must be a good faith estimate of the quantity of gas that the party expects to supply or withdraw from the market (i.e. that the bid or offer represents the genuine intention of the party at the time the submission was made).</p> <p>It should be noted this provision is not intended to oblige trading participants to follow their market schedule should conditions and circumstances materially change.</p>
41.	Retailer	412(4)	Timing of submissions of ex ante offers, ex ante bids and price taker bids	<p>It is not clear why the Rules should seek to place a regulatory prohibition on Trading Participants from submitting or revising offer/bids after the cut-off times. As currently written, it remains an open question as to</p>	<p><b>Accepted</b></p> <p>Rule 412(2) sets the time constraint by which trading participants are required to submit bids and offers for a gas day. How the bids and offers submitted by trading</p>

				whether AEMO is still obligated to accept an offer/bid made in contravention to this clause.	participants, consistent with the cut-off times presented in 412, are picked up in the schedule as outlined in Rule 416(1)(a).  Therefore, given this is already covered by Rule 416(1)(a), Rule 412(4) will be deleted.
42.	Retailer	413(2)(b)(iv)	Confirmation by AEMO	There is a lack of specificity by the use of the term “consistent” which makes problematic the reader’s understanding of AEMO’s powers in respect of the trading right holder. Is this clause intended to mean that the submitting Trading Participant must be the SAME as the trading right holder that is registered with AEMO? If not, what latitude do the Rules intend that AEMO be allowed?	<b>Accepted</b>  The Rule will be amended to specify only that the Trading Participant must be the holder of the registered trading right to which the offer or bid relates.  The Procedures will make it clear that a Trading Participant’s ex ante bid, ex ante offer and price taker bid needs to be in line with the details of the Trading Participant’s registered trading right.
43.	Pipelines and networks	415	Capacity information	The Rules say “the STTM facility operator must notify AEMO of the quantity of gas it expects, in good faith, that the STTM facility will be able to deliver to the relevant hub”. In other STTM documents the word “estimate” is used to describe this function. Pipeline operators believe the word “estimate” should also be used in the Rules.	<b>Noted</b>  Recognising that the capacity information to be provided by the pipeline operator is an estimate based on available information at the time, it is considered that changing the wording to “the quantity of gas it <u>expects</u> in accordance with good gas industry practice,” better conveys the intent.
44.	Network	419(4)	Gas quality management and regulatory compliance	The inclusion of Rule 419(4) is supported as long as it remains an obligation additional to those set out in the access arrangement and subject to the following: <ul style="list-style-type: none"> <li>Shippers who have not complied with the Rules should not be able to offer gas to the STTM.</li> <li>Network users should be able to rely on</li> </ul>	<b>Noted</b>  Rule 419(3) puts the obligation on the STTM Shipper to ensure gas supplied to the hub is within the gas quality specification. This provision will be made a conduct provision which can be enforced by the network.  Rule 419(4) and 419(5) are NSW specific

				<p>419(4) and initiate action to enforce it.</p> <ul style="list-style-type: none"> <li>As networks may have no knowledge of or relationship with shippers. AEMO should notify networks of all active shippers at the hub and any changes to the physical or contractual resources of gas used by those shippers to supply gas to the hub.</li> <li>The reference to a “trading right holder for a registered facility service” including a reference to STTM shippers (i.e. contract holders, sub-contracted right holders, and producers injecting on their own behalf).</li> </ul>	<p>provisions aimed at addressing gas monitoring and testing obligations that currently exist – but recognise the ability for an STTM User to buy spot gas.</p> <p>Rule 419(4) requires the registered trading right holder of the registered facility service (STTM Shipper, including contract holders, sub-contracted trading right holders, and producers and storage facilities injecting on their own behalf) to provide, if requested by the distributor, the necessary information. This places the obligation directly on the party with the data, rather than having to work through the STTM User – as an intermediary – who may not have access to the requested information. This provision will be made a conduct provision which can be enforced by the network.</p> <p>Consistent with other obligations non-compliance has a penalty attached to it. Rule 419(3) will be both a conduct provision and a civil penalty provision.</p> <p>Rule 135B (as extended by Rule 375) obliges AEMO to publish the register of Registered Participants, which includes details of registrable capacities at each hub. In addition, the details of the ex ante offers and bids (which include the identity of the relevant trading participant) are released after the end of the gas day. This will provide adequate information to allow the network to identify the relevant STTM shippers.</p>
45.	Network	419(5)	Gas quality management and regulatory compliance	<p>This clause should be deleted because there are no circumstances where it would ever have any effect on Rule 419(4) and therefore it adds ambiguity to the effectiveness of Rule 419(4).</p>	<p><b>Not Accepted</b></p> <p>For reasons outlined above, the intent of Rule 419(5) is to ensure the STTM User</p>

				<p>Under Rule 419(5), an STTM User could avoid an obligation under Rule 419(4) if the user was part of a corporate group using different legal entities to register both as a STTM Shipper and User.</p>	<p>has no liability in respect of the provision of corresponding information, only to the extent that the STTM User is not a trading right holder for the relevant facility service.</p> <p>In that instance, the STTM Users does not have access to the information and Rule 419(4) provides the avenue for the distributor to seek the information directly from the relevant STTM Shippers.</p> <p>Rule 419(5) will be amended to ensure its reference to the information, records and access, is consistent with Rule 419(4).</p>
46.	Retailer	424	Market schedule variation	<p>The Rules do not specify how information related to Market Schedule Variations (MSVs) is to be treated. Presumably details of the underlying individual trades that constitute MSVs are intended to be confidential. However, there may be value (for market transparency reasons) to allow aggregated MSV data to be published (both the total quantity and total price paid).</p>	<p><b>Noted</b></p> <p>Consistent with the STTM Detailed Market Design, the details pertaining to Market Schedule Variations (MSVs) are to remain confidential given the bilateral nature of these transactions.</p> <p>AEMO will however publish, on a daily basis, the total variation quantity at the hub and the total of all variation charges to all trading participants at the hub.</p>
47.	Retailer	427	Market Administration states	<p>The Rules specify the conditions under which prices must not exceed the APC. However, the Rules are silent regarding how this prohibition will be achieved by AEMO. It is suggested that consideration be given to codifying in the Rules AEMO's need to change prices for offers and bids in an APC state.</p>	<p><b>Not Accepted</b></p> <p>The Rules set out the requirements and circumstances in which an administered price cap state is declared. When an administered price cap state has been declared, AEMO does not change the bids and offers submitted by a trading participant for the relevant gas day, but will cap the ex ante market price and other market prices for the relevant gas day consistent with the Rules.</p>

48.	Retailer	431	Application of cumulative price threshold	AEMO should be obligated to publish the running value of the CPT including publishing a statement when CPT is exceeded.	<b>Accepted</b> AEMO will publish the administered price and the cumulative price threshold for the relevant gas day. This requirement will be appropriately captured in the STTM Procedures and STTM interface protocol.
<b>Division 8 – Contingency Gas</b>					
49.	Pipelines	438	Contingency gas trigger events	Seeks clarity in the Rules on what the trigger events may be.	<b>Noted</b> Rule 438 set out the triggers upon which AEMO will commence a consultation process to determine whether to call contingency gas. The scope of the triggers identified in Rule 438 is considered appropriate for this purpose.

50.	Retailer	440	Contingency gas assessment conference	<p>AEMO should be required to publish a notice (on its website) that a CG assessment conference will be held (including publication of a notice under 441 (3) (b)). This information will provide advance warning to industry of the possibility (albeit not a certainty) that an industry conference may be called at a later date. An important aspect of the successful operation of the entire CG process in Division 2 is that surprises should be minimised.</p>	<p><b>Noted</b></p> <p>Where AEMO has been notified of a contingency gas trigger event or it determines that a contingency gas trigger event has occurred, the Rules (Rules 439(1)(c) and (d)) require AEMO to publish a notice and call a CG assessment conference.</p> <p>The issuing of a notice of the occurrence of the CG trigger event provides industry with the notice that AEMO will be calling a CG assessment conference (as the Rules require it to when a CG trigger event has occurred). This also provides participants with a heads up that AEMO may call an industry conference.</p> <p>If AEMO convenes an industry conference, the Rules require AEMO to notify the parties of the outcomes of the CG assessment conference (Rule 441(2)).</p> <p>The Rules require AEMO to publish its determination in respect of contingency gas requirement (see Rule 442(2)) and publish updated determinations (see Rule 442(4)(c)).</p> <p>It is considered there is sufficient transparency, and appropriate flexibility, to ensure relevant parties are kept informed.</p>
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51.	Producer	440(2)	CG assessment conference	The Rule should be amended to remove the mandatory requirement to attend a CG assessment conference. In the event the modification does not satisfy the system security concerns in jurisdictions, the obligation to attend the CG conference be limited to those parties that have satisfied the requirements in Rule 433 and who have submitted CG bids or offers.	<p><b>Not Accepted</b></p> <p>The purpose of the CG assessment conference is to assess the operational requirement and to determine the contingency gas likely to be required at the hub for the current gas day and future gas days (including information on quantity, timing and location).</p> <p>Relevant parties as determined under Rule 440(1) must attend to provide that information to AEMO so it makes an informed decision about whether to call contingency gas or not.</p> <p>Attendance at the CG assessment conference will be limited to those with relevant information pertaining to the contingency gas trigger event.</p>
52.	Retailer	443(3)	Contingency gas offers and bids	Seeks clarity in the Rules on the information to be published with respect to CG bids and offers.	<p><b>Noted</b></p> <p>Rule 447 sets out the information AEMO is to publish for each gas day in respect of which it calls contingency gas at a hub to inform the market of the contingency gas scheduled.</p>
<b>Division 9 – Scheduling errors and the Participant Compensation Fund</b>					
53.	Pipelines and networks	451	Liability for scheduling error	Pipeline operators seek the same “no-liability” for scheduling errors that AEMO has, i.e. AEMO is limited to the participant compensation fund. It is noted that in undertaking the scheduling, pipeline operators are, in effect, undertaking a function of the market operator because it is more efficient and effective for them to do so.	<p><b>Not Accepted</b></p> <p>SCO does not consider that it is appropriate to extend the same protections from liability that apply to the market operator to commercial participants. It is expected that liability for errors will be resolved between the impacted shipper and the pipeline operator under their contract and/or allocation agreement.</p>

54.	Retailer	452	Process for establishing scheduling error has occurred	AEMO should be obligated to publish the broad details of a request by a Trading Participant to investigate an alleged scheduling error thereby allowing wider industry the opportunity to provide information to AEMO in their subsequent investigation.	<p><b>Not Accepted</b></p> <p>To ensure consistency between the STTM and the Declared Wholesale Gas Market Rules, it is not considered appropriate to require AEMO to publish the fact that it is investigating an alleged scheduling error at the request of a participant.</p> <p>Furthermore, Rule 542(3) requires AEMO to publish the outcomes of its investigation, giving trading participants an opportunity to participate or contribute to the dispute resolution process that may follow.</p>
55.	Retailer	454	When entitlement to compensation arises	<p>It is theoretically possible for Price Taker Bids to be incorrectly dispatched in their own right and therefore (again theoretically) to claim compensation. Is this intended?</p> <p>Should errors in MOS scheduling also be covered by the Participant Compensation Fund?</p>	<p><b>Noted</b></p> <p>Rules 454 and 455 set out the circumstances where entitlement to compensation arises and the basis for determining compensation. There are no additional circumstances, than those identified in Rule 454, where compensation will be available. For the purposes of price taker bids, there are no circumstances in which compensation may arise given a price taker bid is to withdraw gas at any ex ante price (and, therefore, could be assumed to be a bid at the MPC).</p> <p>For allocation of MOS to MOS providers, the actual allocation will be performed under the relevant allocation agreement between the pipeline and shippers. If an error occurs in the process, it can be corrected through revisions to the allocation data. Any measures underlying contracts have to deal with revisions to shipper allocations are a contractual</p>

					matter between the pipeline and shippers, and is open to the general dispute framework.
<b>Division 10 – Market Settlement and Prudential Requirements</b>					
56.	Retailer	460 and 461	Graduated deviation parameters and Graduated variation parameters	<p>The actual penalty values for the Graduated deviation parameters and Graduated variation parameters have been specified in the Rules while the process for calculating them is in the Procedures.</p> <p>The methodology adopted in the exposure draft for penalty values appears odd in that it results in the codification of a detailed element of a process whose conceptual construction is defined in a “lesser” document.</p>	<p><b>Not Accepted</b></p> <p>It was considered appropriate that the market parameters, including the graduated deviation parameters and graduated variation parameters, should be set out in the Rules as these establish financial incentives for deviations and variations.</p> <p>Given the level of detail, it was considered appropriate that the settlement equations should be set out in the STTM Procedures (a legal instrument made by AEMO under the NGL) rather than detailed in the NGR.</p>
57.	Retailer	460 and 461	Graduated deviation parameters and Graduated variation parameters	As currently written this clause suggests that deviations charges/payments use the “lesser of the graduated deviation parameters in” the tables. However, because the definition of the term “graduated deviation parameters” is circular (i.e. the definition simply refers back to clause 460) it is possible to read this clause in at least two ways thereby producing entirely opposite outcomes.	<p><b>Accepted</b></p> <p>The chapeau in Rules 460 and 461 will be amended to clarify that in determining deviation/variation charges or penalties for a trading participant, AEMO must use the factors for the deviation/variation percentage range and the deviation/variation quantity range in the table in accordance with the STTM Procedures.</p>
58.	Producer	460 and 461	Graduated deviation parameters and graduated variation parameters	The current wording should be amended to ensure that the factors are applied to a trading participant in relation to a deviation/variation to be determined by considering that trading participants deviation/variation against both tables contained in the Rules, with the factor selected being that closest to 100 per cent.	<p><b>Noted</b></p> <p>The STTM Procedures will clarify the intent of this through the equations themselves and the explanatory notes that accompany the settlement equations.</p>
59.	Producer	474	Maximum total payment in respect	The time described in both sub-Rule (1)(a) and (1)(b) are identical and suggests that from a	<b>Noted</b>

			of a billing period	<p>practical perspective no opportunity will exist for AEMO to exercise an ability to obtain credit support as envisaged in (1)(b) should payment not be made under sub-Rule (1)(a) by 4pm.</p> <p>Consideration should be given to allowing sufficient time for AEMO to exercise rights with respect to trading participants defaulting under sub-Rule (1)(a) associated with obtaining an amount available from credit support arrangements.</p>	<p>The timings in Rules 474(1)(a) and 474(1)(b) are meant to be the same as this determines the maximum amount payable by AEMO in respect of a billing period. However, the timings in Rules 469 and 474 will be amended to ensure that they are consistent.</p> <p>The timing for payment by a trading participant is set out in Rule 468 (noon on either the 20<sup>th</sup> business day after end of a billing period or 2<sup>nd</sup> business day after receiving a final statement). If the trading participant does not pay the amount by this time, then this becomes a default event, where AEMO is required to issue a default notice and make a claim in respect of the defaulter's credit support (see Rule 473).</p>
60.	Retailer	485(1)(b)	Margin calls	<p>This Rule is silent on how bank interest that accrues to AEMO's account is treated if a Trading Participant elects to satisfy a margin call by way of prepayment.</p>	<p><b>Not Accepted</b></p> <p>It is not considered appropriate for the Rules to be amended to require AEMO to pay interest on a prepaid amount for the purposes of Rule 485(1)(b). This approach has been taken to ensure consistency with the Declared Wholesale Gas Market Rules, to minimise the administrative burden of introducing such an obligation and recognises a trading participant can satisfy a margin call by either providing AEMO a guarantee or bank letter of credit, which complies with the Rule, or prepay an amount in cleared funds.</p>

<b>Division 11 – Market Reviews</b>					
61.	Retailer	Division 11 (generally)	Market reviews	The Rules overtly state that some reviews must be published and for other reviews, this requirement is silent.	<b>Accepted</b> This division will be amended to make clear that these reviews are to be conducted in accordance with the extended consultative procedure (Rule 9A), which includes specific publication requirements.
62.	Retailer	Division 11	Market reviews and MOS	Daily MOS should be considered as part of the reviews under Rules 488(1) and 488(2).	<b>Noted</b> Consideration of daily MOS is not precluded from these reviews and it is anticipated that it will be considered.
63.	Retailer	Division 11	Principles to guide AEMO assessment of STTM operation	There should be some principles included in the Rules that will govern the assessments by AEMO of the performance of various aspects of the market and suggests some principles to include: <ul style="list-style-type: none"> <li>• Encourage competition/minimise barriers to entry</li> <li>• Ensure that participants are able to manage risk</li> <li>• Deliver transparency</li> <li>• Costs are allocated to cause</li> <li>• Minimises costs to consumers</li> <li>• System security.</li> </ul>	<b>Not Accepted</b> The NGL contains an objectives clause which AEMO is guided by in undertaking its functions, it is considered inappropriate to provide any further detail in the Rules.
64.	Pipelines and networks	489	Review of hubs	This review should include ACT, Queensland, WA and Victoria and should include the original MMA type approach that looks at the cost and benefits of the STTM.	<b>Noted</b> Rule 489 allows those matters to be considered and no further detail is considered appropriate.

					It should be noted that a jurisdiction must adopt the STTM NGL provisions before a hub can be specified in their jurisdiction.
65.	Network	Division 11	STTM pipeline operational capacity	<p>During the design process pipelines proposed having available an optional facility to provide iterative operational capacity.</p> <p>Without this proposed option, the transparency in the market may be reduced and proposed the issue be re-examined by means of an addition to the market review process noted in Division 11.</p>	<p><b>Noted</b></p> <p>This issue will be considered as part of the broader reviews outlined in Division 11, specifically under the review in Rule 488(1).</p>