

Gas Market Leaders Group Synopsis of Eighth Meeting – 31 May 2007

The eighth meeting of the Gas Market Leaders Group (GMLG) was held in Sydney on 31 May 2007. Major issues considered at the meeting were:

- 1. Market Operator Working Group (MOWG) Developments.** The GMLG was provided with a briefing on the outcomes of the MOWG Governance and Operations Sub-Committee meeting held on 30 May 2007. The GMLG noted MOWG discussions to date on governance form and board selection processes for the proposed National Energy Market Operator (NEMO) are broadly compatible with the GMLG's Gas Market Development Plan put to MCE. Members agreed there was no value in establishing an interim Gas Market Operator (GMO) provided a NEMO is operational by the COAG target date of mid 2009.

The GMLG considered a paper prepared by the Governance Working Group which reassessed the GMLG's position on governance arrangements for a market operator in light of COAG's decision to establish a NEMO, rather than a GMO. The GMLG reaffirmed its desire to ensure that processes appropriate to the electricity industry are not indiscriminately applied to the gas industry, nor that the electricity industry issues swamp gas industry issues. The GMLG will determine its position on such governance issues prior to the next meeting of the MOWG on 21 June 2007.

- 2. Bulletin Board (BB) Development.** The GMLG considered a draft Consultation Paper detailing draft business and data requirements for the proposed BB. This document will be provided to industry (and jurisdictions and NGERAC) for comment during the week commencing 4 June 2007, with submissions sought by 29 June 2007. Consultation meetings are being scheduled for, Perth, Adelaide, Melbourne, Sydney and Brisbane during June.

It was noted that there would be major, if not insurmountable, difficulties in operating the BB without supporting legislation and rules. However, the GMLG was informed that it is intended that a high level rule-making power be inserted in the current regulatory package of the National Gas Law, provided this does not delay its commencement. If achieved, this will result in the necessary legislation being in place by the time the BB is scheduled to be operational (May 2008).

- 3. Short Term Trading Market (STTM) Development.** The STTM Working Group (WG) provided a report on major developments and presented a draft STTM Strawman Functional Description. However, the WG reported that it has been unable to resolve a number of key issues due to conflicts between the Augmented Gas Market Principles and the desired STTM Outcomes. It was also noted that the difficulties in finalising the contract with the Commonwealth had delayed for about 3 months the engagement of experts to assist in resolving these issues.

The GMLG agreed to:

- the immediate engagement of experts to conduct two key work packages recommended by the WG:
 - a critique of the Strawman Functional Description and assistance to develop concepts more thoroughly; and
 - advice on whether an effective market can be established within the constraints of the Principles whilst delivering the Outcomes and, if not, what changes to Principles &/or Outcomes are required;
- the objective of establishing a working market on Day 1, but allowing for it to evolve and transition over time to a more fully operational market, particularly where there may be difficulties or constraints with the existing contract carriage market and regulatory framework;
- designing the market to be applicable to as many participants as possible at its inception;
- designing a market to produce the desired Outcomes to the greatest extent possible at inception; and
- seeking advice as to how the market may develop over time and what form the market may evolve to.

The work package related to the two key work packages (the first dot point) will be sought from experts by the end of July for GMLG consideration. It was acknowledged that the work package related to refinement of the Functional Description would take longer to complete.

It was agreed the objective of reaching a go/no-go decision by October 2007 should be maintained.

The GMLG acknowledged and thanked those involved in the development of both the BB and STTM for the significant amount of work to date.

4. Milestones. The GMLG agreed key milestones for the:

BB:

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| ▪ Business Requirements | July 2007 |
| ▪ Functional Specification | December 2007 |
| ▪ System Built and Tested | February 2008 |
| ▪ Legislation Enacted & Rules Approved | April 2008 |
| ▪ Go Live | May 2008 |

STTM:

- | | |
|----------------------------|--------------|
| ▪ Go/No Go Decision | October 2007 |
| ▪ Functional Specification | 1 year later |

5. Next meeting. The next meeting will be held at the end of July or early August 2007, by which time the BB consultation process will have been completed and

recommendations on the BB scope and design would have been finalised, and the expert advice on the STTM will have been received.