

Gas Market Leaders Group Synopsis of fourteenth Meeting – 17 October 2008

The fourteenth meeting of the Gas Market Leaders Group (GMLG) was held in Melbourne on 17 October 2008. Major issues considered at the meeting were as follows:

1. Inclusion of the ACT into the STTM as a new hub

Members agreed to integrate the ACT into the STTM as a new hub, to avoid the need to maintain GMC's balancing systems for only the ACT market, once the Sydney hub is operational. However, this decision is subject to obtaining a clear commitment from the ACT stakeholders and to not delaying the current schedule for the STTM commencement in SA and NSW (this may mean that the ACT STTM will not be operational from Day 1).

2. STTM Unconstrained Pricing

After considerable discussion, Members rejected a change request to extend the recognition of firm shipper priority rights when pipelines are unconstrained, and retain a strict economic merit order dispatch, noting that:

- It was unclear as to how much impact, if any, the proposal would have in providing a signal for infrastructure investment, especially as the STTM is expected to only account for a small proportion of the total trade in gas.
- Concerns over potential risks to competition and transparency, especially for new and smaller shippers.
- Concerns over the inconsistency of the proposal with the agreed process for scheduling constrained pipelines and the increased complexity of the market clearing process.
- The case for the change had not been sufficiently demonstrated.

Members agreed to insert an additional sub-principle in the revised Augmented Gas Market Principles to better recognise the importance of long term investment in gas infrastructure. The STTM Steering Committee is to prepare an initial draft for GMLG consideration.

3. STTM Emergency Gas

The GMLG endorsed the high-level design of the "Emergency Gas" service in the STTM and for that service to be funded under the clearing price approach as described in the paper. The STTM Working Group is to undertake further work on the detailed design of this facility.

4. STTM Allocation of MOS Deviations

Members agreed to apply Option 2 (Capacity Based Market Operator Service) as described in the paper for allocating pipeline flow deviations beyond the regular MOS service.

5. STTM Settlement of Shortfall and Surpluses

Members endorsed the recommendations that settlement of STTM surpluses and shortfalls be allocated on a cost to cause basis. The STTM Working Group is to undertake further work on Options 2b and 3 as described in the paper.

6. STTM Gas Day Start Time

Members endorsed the recommendation to align gas day start time across jurisdictions participating in the STTM at 6:30am EST (0600 CST).

Members agreed that all transactions in the STTM would be conducted on Standard Time and there would not be any adjustment for Day Light Savings time, noting that this would require revision of contracts and current operational arrangements in South Australia over summer.

7. STTM Market Clearing Logic

Members endorsed the Market Clearing Logic and the approach to treatment of backhaul as described in the paper.

8. STTM Bids and Offers

Members noted the paper on Bids and Offers as the basis on which the STTM Working Group would proceed with further development of the detailed market design.

9. Response to National Measurement Institute

Members agreed that the existing metering services for the NSW and SA gas markets are sufficient for current market needs and capable of supporting the operation of the STTM. Further, it was considered that the NMI proposal to establish an Australian Metering Calibration facility was a gas industry matter rather than a STTM establishment matter. The matter is to be referred to AEMO for further consideration.

10. Upcoming STTM issues for GMLG

Members noted the upcoming issues, namely market timing; treatment of backhaul in the STTM; NSW and SA Hub allocations and processes; Market Operator services; "emergency gas"; settlement shortfalls and surpluses; and settlement principles and methodology.

11. Checkpoint on STTM Market Design Progress

Members noted that the design phase of the project continues to be in accordance with the schedule for commencement in mid-2010.

Members confirmed the next meeting dates:

- Wednesday 19 November 2008 (10am teleconference); and
- Wednesday 17 December 2008 (10am face to face meeting - Melbourne).