

Gas Market Leaders Group Synopsis of Eighteenth Meeting – 24 March 2009

The eighteenth meeting of the Gas Market Leaders Group (GMLG) was held in Melbourne on 24 March 2009. Major issues considered at the meeting were:

1. Future Arrangements for the GMLG

Members noted that the Australian Energy Market Operator (AEMO) will take over responsibility of the GMLG, on behalf of the Ministerial Council on Energy (MCE) for completion of the Short Term Trading Market (STTM) and Gas Statement of Opportunities, on its establishment on 1 July 2009.

It is proposed that the GMLG will continue as an advisory and reference group to AEMO. AEMO will assume responsibility for appointing the Chair and providing the Secretariat, with membership remaining the same with representatives from each industry sector. The STTM and GSOO working groups established under the GMLG will continue with the exception of the STTM Steering Committee which will be disbanded, following completion of the market design.

2. Legislation and Rules Drafting for the STTM

Members were briefed on the establishment of separate legal working groups for industry and jurisdictions to finalise the legislation and rules for the STTM. The terms of reference and membership for the Industry Legal Working Group were endorsed, subject to some minor changes.

The two working groups and the legal drafting team will need to work together very closely to meet the very tight timeframe for introduction of the National Gas Law amendments into the South Australian Parliament (as lead legislator) by September 2009.

3. Brief Guide to the STTM

Members endorsed a Brief Guide to the STTM, which is a high level summary of the STTM design that aims to inform stakeholders during the upcoming implementation stage. The Brief Guide and an accompanying Detailed Market Design Document will be further edited/updated and made available.

4. Market Operator Service (MOS) Tenders

Members agreed that tenders for the Market Operator Service (MOS) will be based on variable only costs, rather than a combination of fixed and variable costs, as previously envisaged. Members adopted the variable only cost approach on the basis that it was a simpler and more transparent option for both the market operator and market participants, even though there were some concerns about it being possibly less competitive.

It was agreed that the approach be reviewed within 6 – 12 months of market start, including reconsidering the fixed and variable costs approach.

5. Market Administered States

Members considered a paper, which details Administered States where certain market rules may be suspended. The GMLG endorsed the adoption of all 16 States with the exception of the Participant Administered Settlement State, which proposed that the market exposures for an individual participant arising after the participant had called Force Majeure (FM) be re-allocated to all other market participants.

6. STTM Cap on Settlement Surplus Allocation

Members endorsed the recommendation to place a cap on surplus allocations to market participants who deviate on their market schedules during that billing period. This cap has been introduced to prevent windfall gains to participants who deviated from their market schedules – otherwise such participants may have a reduced incentive to accurately schedule.

7. STTM Scheduling Errors, Settlement Disputes and Revised Settlements

Members agreed upon procedures for providing compensation for scheduling errors and the process for addressing revised settlements.

8. D+1 Data Availability for NSW

Members discussed the costs for Jemena and GMC to meet the requirement for network allocations to be provided to the STTM on Gas Day D+1. The GMLG reconfirmed the requirement for such data and discussed possible cost-recovery approaches. The matter is to be discussed again at the next meeting.

9. Access Arrangements for NSW

Members considered advice from Jemena about accommodating the STTM within its Access Arrangement revisions to be submitted to the AER in June 2009 and to take effect from July 2010. Further discussions will be held between Jemena and the STTM Project Team.

10. STTM Market Reports

Members considered a preliminary list of information that will be provided to market participants.

11. Upcoming STTM Issues for GMLG

Members noted that upcoming STTM issues included consideration of market design issues (MOS shortage, modelling, and compensation for contingency gas scheduling errors) and updates on the legislation drafting process. Members will also be asked to endorse the market design at the next meeting in April.

Members confirmed the next meeting as Tuesday 28 April 2009 (teleconference).