

## **Gas Market Leaders Group Synopsis of Twentieth Meeting – 26 May 2009**

The twentieth meeting of the Gas Market Leaders Group (GMLG) was held via teleconference on 26 May 2009. Major issues considered at the meeting were:

### **1. Legislation and Rules Drafting for the STTM**

Members were briefed on the imminent release of the exposure draft for the STTM amendments to the National Gas Law (NGL). The NGL amendments were approved by the Ministerial Council on Energy Standing Committee of Officials and released for six weeks consultation on Wednesday 27 April 2009 via the MCE Bulletin distribution list. The exposure draft and Explanatory Material are currently available on the MCE Website at [www.mce.gov.au](http://www.mce.gov.au) (go to the “Bulletins” under the Quick Links section). Members were advised that a public forum was being held on **Friday 19 June 2009 at The Sebel Surry Hills, Sydney, 1.30pm – 3.30pm**, to brief interested stakeholders on key aspects of the legislation and to provide general information on the STTM implementation program.

Members also noted ongoing progress being made on the draft National Gas Rules amendments, which are expected to be released for public consultation in early July 2009.

### **2. Gas Statement of Opportunities (GSOO)**

Members were advised that McLennan Magasanik Associates (MMA) were successful in securing the consultancy to undertake forecasts for gas reserves. Progress is being made in developing the core demand scenarios and commencing work on the gas reserves forecasts. Data had also been received from most industry participants.

### **3. Graduated Deviation and Variation Penalty Tables**

Members endorsed the following graduated deviation and variation penalty tables to apply in the Short Term Trading Market (STTM). The parameters in the deviation and variation penalty tables represented a middle point in three options that were presented to the GMLG. It was agreed they provided sufficient incentives for accurate forecasting without unduly exposing smaller retailers in a new market environment.

<b>Graduated deviation penalty table</b>		
<b>% band</b>	<b>TJ band</b>	<b>Penalty</b>
> ±10%	> ±10 TJ	±10%
±5% to ±10%	±5 TJ to ±10 TJ	±5%
0% to ±5%	0 TJ to ±5 TJ	0%

<b>Graduated variation penalty table</b>		
<b>% band</b>	<b>TJ band</b>	<b>Penalty</b>
> 15%	> 10 TJ	8%
5% to 15%	5 TJ to 10 TJ	3%
0% to 5%	0 TJ to 5 TJ	0%

As endorsed at the previous GMLG meeting, the penalty tables use a hybrid approach, providing a percentage scale on the ex-ante market price and another using TJ ranges, and applying the minimum penalty of the two.

The GMLG also agreed to support a review process of the penalty tables to commence following winter 2011, with a view to implementing any revisions to the penalty tables prior to winter 2012.

#### **4. Integration of Retail Market Work Program**

Members endorsed a number of Change Requests, including integrating work relating to the retail market operation into the STTM project. The original project scope focussed on the wholesale market with the assumption that the Retail Market Operators (GMC and REMCo) would implement appropriate changes. However, now that the retail market functions will be subsumed into AEMO, it was appropriate to incorporate the tasks into the wider project.

The Change Requests endorsed include:

- upgrades of computer hardware and software to enable the delivery of NSW Network Allocations data by 11am on GD+1;
- modifications to the RMO Rules, Procedures and IT Systems in SA and NSW to meet STTM requirements; and
- consolidating the funding and management of these tasks into the STTM Establishment Project.

Members noted that the additional work had been costed at approximately \$1.73 million, increasing the total STTM budget to approximately \$18.2 million.

## **5. Publication of MOS Provider Identities**

Members agreed to a Change Request to enable the publication of MOS provider identities at the same time as the MOS stack is published to the market and the pipelines. This change aligns the data that goes to pipelines and the market and eliminates the need for two separate reports to be published.

## **6. Issues**

### **a. MOS Allocation**

It was noted that pipeline owner and operator representatives have concerns relating to STTM pipeline allocations, cost recovery and indemnity that are yet to be resolved.

### **b. Upcoming STTM Issues for GMLG**

It was noted that the STTM market settings will be determined at the next GMLG meeting on Tuesday 30 June 2009, which will also be the final gathering for the GMLG under the current arrangements.

Following the establishment of AEMO on 1 July 2009, the GMLG will continue as an advisory and reference group, with AEMO assuming responsibility for the Chair and Secretariat.