

Gas Market Leaders Group Synopsis of Eleventh Meeting – 29 April 2008

The eleventh meeting of the Gas Market Leaders Group (GMLG) was held in Melbourne on 29 April 2008. Major issues considered at the meeting were as follows.

1. MCE Decisions

The GMLG was provided with an update on progress to establish the Australian Energy Market Operator (AEMO), particularly the process for appointment of the Board. It is expected that the Board will be appointed in July 2008.

The GMLG noted the current progress of the national gas legislative package and that commencement of the National Gas Law in all states except Western Australia was on track for 1 July 2008. The GMLG noted that Western Australia would pass its complementary legislation in September 2008.

The GMLG welcomed the MCE 21 April 2008 decision to proceed with the detailed design and implementation of the Short-Term Trading Market (STTM) and a Gas Statement of Opportunities (GSOO), through the GMLG. The GMLG noted that these two projects would be transferred to the AEMO when it is operational, and all costs incurred by the Victorian Energy Network Corporation (VENCorp) in the initial work, through the raising of loans, will be transferred to AEMO.

2. Bulletin Board (BB)

The Bulletin Board Working Group (BBWG) reported that the BB development is on track and due to start in July 2008.

The GMLG endorsed the Draft National Gas Market Bulletin Board Industry Test Strategy.

The BBWG noted the volume of material that was released for consultation on 18 April 2008, including the BB procedures, summary of issues revised from NGR consultation, and the BB participant buildpack. GMLG Members are to ask their associations to have their members review the list of facilities (Part C).

The GMLG noted that workshops will be conducted in major capital cities in the last two weeks of May to help participants prepare for BB registration, and encouraged all of its members who were BB participants to register voluntarily before 1 July 2008.

3. Short Term Trading Market (STTM)

The GMLG welcomed the agreement by MCE to proceed with the detailed design and implementation of the STTM. The GMLG agreed to the following Project Structure:

- The GMLG is responsible to MCE/SCO for the design and implementation of the STTM, until the role is assumed by AEMO.

- A Steering Committee, of approximately 12 industry members (similar to the membership of the GMLG), would be responsible to the GMLG for overseeing the Project.
- VENCORP is responsible to the GMLG, through the Steering Committee, for Project delivery. VENCORP will also have a close relationship with the GMLG and MCE/ SCO.
- VENCORP will appoint a Project Director and establish possibly 5 work streams, each with Industry Working Groups.

The GMLG agreed to appoint Chris Fitz-Nead as the Chair of the Steering Committee. Terms of Reference for the STTM Steering Committee are to:

1. Develop the STTM Project Plan and Budget, in consultation with VENCORP and the project Team, for approval by GMLG.
2. Monitor the Project Plan and Budget, as approved by GMLG and adjusted from time to time.
3. Guide the Project Team and Working Groups, but seek GMLG agreement on all matters where there is:
 - A contentious or major issue
 - No consensus
 - A significant financial implication
 - A material impact on the risk profile of market participants (existing and future).
4. Monitor and report on issues (including all decisions made by the Steering Committee).
5. Provide a quarterly report to GMLG and as necessary / required. Circulate minutes of Steering Committee meetings to the GMLG.
6. Apply the Augmented MCE Principles for Gas Market Development (v2) when making decisions.

The GMLG noted that approximately five people would be employed full-time on the Project plus up to 15 contractors, with detailed information to be included in the Project Plan.

GMLG members agreed to funding of \$500,000 over the next three months for preparation of the Project Plan and Budget, a peer review of the ICF design, labour and entering into an accommodation lease for two years.

4. Gas Statement of Opportunities (GSOO)

The GMLG noted the agreement by MCE to proceed with the detailed design of the GSOO, supporting the original GMLG recommendation "to assist industry participants in their future planning and in making commercial decisions on investments in infrastructure or contracting to mitigate risks in the event of such constraints or supply shortages."

GMLG members agreed to the following recommendations to provide initial guidance for development of a consultation paper with the view to gaining industry and relevant stakeholder's input as to the potential scope of the GSOO:

1. The Augmented MCE Principles for Gas Market Development will apply to the development of the GSOO, where relevant.
2. The GSOO should have a national focus, covering all major basins, pipeline systems and associated markets.
3. The GSOO should not distinguish between covered and uncovered pipelines.
4. The GSOO should cover demand, supply, storage, network capacity and interconnection constraints.
5. The GSOO should have a short to long term focus (perhaps 1-10 years) and possibly a more speculative and scenario-based focus of up to 20 years.
6. Demand and supply should be aggregated based on the demand zones and demand hubs being used for the Bulletin Board.
7. The GSOO should distinguish between residential, commercial, industrial and OCGT/CCGT power generation. It should identify both annual demand and peak daily demand.
8. The GMLG should consult with ABARE, GeoScience Australia and other parties that currently produce information on reserves to determine how best this information can be incorporated in the GSOO.
9. Where relevant, the assumptions and key parameters underlying the Gas Bulletin Board, Victorian Annual planning Report (Gas), Electricity Statement of Opportunities, Electricity Annual National Transmission Statement and the GSOO should be consistent.
10. The GMLG should identify the information required for the GSOO and determine what powers, if any, may be necessary to gather that information.

GMLG members agreed to establish a GSOO Steering Committee to oversee the design and development of the GSOO, with an indicative target date for the first GSOO of December 2009. This Steering Committee, which is to be responsible to the GMLG, is to prepare a Plan and Budget on the GSOO for discussion and approval at the GMLG meeting in July 2008.

The GMLG noted that funding of the GSOO is to be similar to the STTM Project. The GMLG approved funding of \$75,000 for the next three months and noted that the indicative budget for developing the first GSOO could be in the order of approximately \$460,000.