

A few
words.

1 September 2009

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AGL Submission: National Gas (Short Term Trading Market) Amendment Rules 2009

Dear Michelle,

AGL provides this submission in relation to the consultation on the draft STTM Rules. AGL, along with other industry members representing industry associations or stakeholder groups, has been an active participant in the design through the STTM Working Group, in the drafting of the Rules through the Industry Legal Working Group, and in governance of the process through the Gas Market Leaders Group. Our comments are few and brief in view of our active participation in the various STTM process streams and the endorsement we have given progressively to the design and rules.

We would however like the following issues considered before the STTM Rules are finalised. These issues raised by AGL do not impact the fundamental design or thrust of the Rules but, in our view, represent a fine tuning of aspects that may prove to be problematic in the operation of the STTM, if not addressed before market commencement on 4 June 2010.

Disclosure of price taker bids

Rule 411(3) states that "price taker bids for a gas day are confidential information until the end of that gas day". This rule is silent as to how price taker bids will be disclosed after the gas day.

AGL would suggest that, for the avoidance of doubt, it be made clear that this information release would only be at the **aggregate** level for a Hub. This would be consistent with the situation in the Victorian gas market and in other market arrangements where participant-specific withdrawals are only disclosed to the participant but the market operator releases data on a market-wide level.

Disclosure of price taker bids for each participant would be releasing sensitive and commercial information and is not the role of the market operator.

MOS stacks

Rule 403(2) states that a MOS stack may “indicate that two or more price steps are to have equal priority”. The Rules are silent on how MOS is dispatched when there are equal and beneficial offers. There are no other internal Rules references to Rule 403(2), but AGL presumes that there will be a *pro rata* dispatch arrangement. We seek clarification on this.

Scheduling and pricing

Rule 407(5) states AEMO must determine where no feasible scheduling solution is possible within the constraints imposed. Rule 418(1) places an explicit obligation on AEMO to produce an *ex ante* schedule for each hub for each gas day. The rule is silent as to what AEMO does next to schedule the *ex ante* market. Is it being left to the Procedures? Or should there be some explicit statement within the Rules to cover off that that eventuality? Or is it that Rule 417(5)(b) applies in this instance? We seek clarification on this.

Overrun MOS

MOS is allocated by a pipeline operator to relevant shippers under Rule 422. Given that MOS gas is not replenished until D+2, it may prove difficult for a MOS provider to be able to offer firm MOS on D+1 if all of his firm MOS as well as overrun MOS had been called by the Market Operator on gas day D.

Relief should be granted to the MOS provider from supplying firm MOS on D+1 under these circumstances. This could be given effect by additional wording to Rule 422(4).

“Phantom” MOS

“Phantom” MOS is an issue that has been discussed at the STTM Working Group in recent months, once its possibility was realised. The Working Group has not been able to come to a clear landing on this issue. AGL understands “phantom” MOS to be a term that describes a situation where more MOS is purchased by the market on a gas day than physically needed. This is likely to occur when a pipeline and/or a shipper on a pipeline try to create MOS through their nominations and scheduling process. “Phantom MOS” is purely a result of the relative operations between the pressure control and flow control pipelines and is in effect an exchange of linepack between pipelines. “Phantom MOS” does not serve any load in the Hub and it does not result from poor forecasting by a Price-Taker Bid. But, under the current design “Phantom” MOS is paid for by those that deviate on the day.

“Phantom” MOS would be problematic for the operation of the STTM. If generated, it may result in a loss of confidence in market processes and outcomes. In view of that, AGL suggests the following drafting changes to address the issue.

1. Introduce an additional sub-clause to the definition of **pipeline deviation** in Rule 364 to the effect that nominations made by an STTM shipper and accepted by an STTM pipeline operator in (a) must be in good faith and must physically be able to be delivered on the day.
2. Expand the definition of **MOS gas** in Rule 364 to the effect that MOS gas cannot be scheduled by a shipper or pipeline operator because MOS gas is balancing gas, which therefore must be *ex post* in nature.

Should you have any queries, please contact George Foley on (03) 8633 6239.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Alex Cruickshank', is positioned below the text 'Yours sincerely'.

Alex Cruickshank
General Manager Energy Retail Regulation