



# Final Decision

# Record Keeping Guideline

November 2018

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# Contents

## Contents

<b>1</b>	<b>Background</b> .....	<b>4</b>
<b>2</b>	<b>Issues raised with the Consultation RKG</b> .....	<b>5</b>
	<b>2.1 Facility Operator Records</b> .....	<b>5</b>
	Reporting Data against Receipt and Delivery Points.....	5
	Other Changes .....	5
	<b>2.2 Shipper Contemporaneous Renomination Reasons</b> .....	<b>5</b>
	Primary Categories Field .....	5
	Event Times Fields .....	6
	Details Field.....	6
	Measuring Material Renominations for Contemporaneous Record Keeping .....	7
	Removing As Available Services .....	7
	Distinguishing Auction and Firm Transportation Service Renominations .....	7
<b>3</b>	<b>Effective date</b> .....	<b>9</b>

# 1 Background

The Australian Energy Regulator (AER) is responsible for monitoring the Day Ahead Auction (DAA) to ensure compliance with the Market Conduct rules in Part 25 of the National Gas Rules (NGR). To facilitate oversight of the DAA, facility operators and transportation facility users (shippers) are required to keep specified nomination, renomination and scheduling data and information. Transitional Arrangements for the new Part 25 require the AER to publish guidelines as to the manner and form in which this data and information are to be kept. The DAA Record Keeping Guidelines (RKG) constitute those guidelines.

This document sets out the final decision of the AER following feedback raised by facility operators and shippers on the RKG. In developing the RKG, the AER is aware that more effective reporting requirements may become evident after the initial stages of the DAA and that the rules empower the AER to amend the RKG over time.

The AER has had specific regard to rules 665(4)(b) and 666(6)(b) of the NGR which require the AER to balance the costs likely to be incurred by facility operators and shippers in complying with these RKG. This is reflected by the considerable level of discretion given to participants in how information and data can be recorded - provided that mandatory information required by the NGR and the RKG is kept. The AER considers that experience with the DAA will inform our preferred forms of receiving market information and that we may develop more specific and uniform record keeping arrangements over time.

Although the Transitional Arrangements for Part 25 specify that the AER is not required to comply with the NGR standard consultative procedure, staff engaged with industry through August to October via:

- AEMO facilitated pipeline capacity trading working group meetings where AER staff presented on its DAA roles and its preliminary views on the RKG.
- individual consultation with facility operators and shippers; and
- AER staff conducted workshops on 19 October 2018 (facility operators) and 22 October 2018 (shippers).

The RKG was made available for consultation on 5 November 2018. We received submissions from a number of facility operators and shippers. A few stakeholders did not make formal submissions but provided feedback seeking further clarity on aspects of the RKG. In drafting this final decision and the final RKG we have considered all stakeholder input. References to the RKG in this document refers to version 1 published on 28 November 2018.

The RKG and the submissions we received can be found on the AER website.

## 2 Issues raised with the Consultation RKG

This section highlights a number of issues raised formally in submissions or via informal feedback and the AER's response.

### 2.1 Facility Operator Records

#### Reporting Data against Receipt and Delivery Points

We received submissions from APA and SEA Gas noting the format of reporting *nomination and scheduling records* in the Consultation RKG was inconsistent with how shippers' often contract over multiple receipt point and/or delivery points across one transportation service. In particular, SEA Gas's concern was that the Consultation RKG required receipt and delivery points for nominations in a single row. APA's submission also raised this issue.

In response to participants' concerns, the final RKG provides greater flexibility to take account of contracting practices by providing that facility operators will be able to present nomination and renomination data for a transportation service with receipt and delivery points in separate rows.

#### Other Changes

Other clarifications were made in the RKG in response to APA's submission. The final RKG removes the reference to the nomination cut-off time in the table of reporting requirements as it does not have to be specified with every row of data. Also, the final RKG provides clarity that the renomination count starts with the final nominations used for the auction.

### 2.2 Shipper Contemporaneous Renomination Reasons

#### Primary Categories Field

Staff presented preliminary views on the primary categories used for renomination records at the AER shipper workshop in October 2018. The staff preliminary review was to adopt the same four primary categories used in electricity rebid reporting to remain consistent with shipper reporting across both electricity and gas. However, shippers that attended the workshop provided feedback to revise these categories down. As such, the Consultation RKG reflected the simplification and reduction of primary categories to include only three categories - market change (M), physical or plant change (P) and shipper error (E).

In its submission to the Consultation RKG, Stanwell suggested the RKG adopt the same categories as those applying to electricity rebids. In contrast, Energy Australia's submission supported only three categories. It was Energy Australia's view that 'provided participants follow consistent practices, these categories should capture all reasons for renominations.'

The AER has decided to maintain only three primary categories for shipper renomination records in the final RKG to simplify reporting. This is in keeping with the consensus at the AER shipper workshop towards simpler categories.

## Event Times Fields

Rule 666(1) requires a *transportation facility user* (shipper) to record, in its renomination records, the time at which the event giving rise to the *renomination* occurred and to separately specify the time at which the shipper became aware of that event.

AGL, Origin and Alinta Energy made submissions on the recording of event times. AGL's submission suggested 'the relevant time stamps should include the time the shipper became aware of the event that leads to renomination and the time the shipper makes the renomination.'

Origin's submission recommended replacing the 'Time of event / Time shipper noticed' categories with one single 'time nominated' category. Origin recognised that this would require a rule change by the Australian Energy Market Commission (AEMC) and proposed it be expedited prior to the commencement of the capacity trading reforms on 1 March 2019. Similarly, Alinta Energy's submission suggested simplification of the compliance requirement to a single time record and considered giving effect to this through an expedited rule change prior to market start.

As discussed in our Consultation RKG, we understand from shippers that recording a contemporaneous record of both times has the potential to add to the complexity of the record keeping process. The final RKG sets out the AER's expectations that both times be reported in accordance with Rule 666(1). The AER has endeavored to reduce the burden of this reporting by noting in the RKG that the time of the event giving rise to the renomination may be described as an estimated time duration, rather than having to identify a precise time.

The AER has incorporated AGL's comment in its submission to define a standard time zone for the RKG to provide clarity.

## Details Field

AGL's submission sought clarity that in reporting material renominations for transportation services, shippers did not need to include with the record the transportation services affected by the renomination. It gave the example that a shipper renominating a forward haul service will not know whether its renomination will also affect a backhaul service.

In Origin's submission, Origin sought clarity that it is sufficient for shippers to record the primary reason for a renomination.

The AER does not expect the details to note which transportation service(s) may be impacted. As required under rule 666(1),(2) the AER expects the record to set out the material conditions and circumstances giving rise to the renomination, as part of verifiable and specific reasons provided for making the renomination.

The AER considers the provision of the most significant reasons rather than noting all reasons would satisfy this requirement. The AER does not agree with Origin's suggestion that only one primary reason will always be sufficient to explain material events.

The AER has provided guidance in the RKG as to the amount of detail required. This is set out in the table in the Shippers section and in schedule 2.

## Measuring Material Renominations for Contemporaneous Record Keeping

AGL, Alinta Energy and Stanwell each made different submissions on this issue. AGL noted uncertainty as to how the materiality threshold of more than a 10 per cent variation is to be calculated. Alinta noted that the definition of a material renomination by way of a percentage threshold meant smaller user variations are covered and considered there may be merit in a dual definition by way of both a percentage and minimum magnitude. Stanwell suggested the AER may wish to require shippers to keep contemporaneous records for every renomination, given the AER in its consultation RKG had noted it has a broader power to seek information under the NGL (such as when conducting an investigation) which was not limited to material renominations.

The AER considers the rules when published alongside the RKG should provide participants with clarity that material renomination(s) are measured by reference to a more than 10 percent variation from the final nomination used in the auction or the auction quantity initially nominated. The threshold specified for contemporaneous record keeping in rule 666 is reflected in the two examples in the AER RKG (which remain unchanged from the Consultation Guideline).

The AER is unable to mandate contemporaneous record keeping for all renominations through its RKG, as rule 666 specifies this form of record keeping is only required for material renominations.

## Removing As Available Services

One participant provided feedback that ‘as available’ service appeared to be incorrectly specified in the table in the Shipper reporting section of the RKG. The AER has removed the reference to “as available” services from the list of transportation services that shippers are required to record as part of their contemporaneous record of material renominations. This is to be consistent with rule 666(2) which defines material renominations in relation to a transportation service to include only a transportation service taken into account in the calculation of an auction quantity limit; or an auction service. This does not cover as available services.

## Distinguishing Auction and Firm Transportation Service Renominations

Rules 666(1) and (2) requires a *transportation facility user* to make a contemporaneous record when there is a *material renomination* made to a firm or auction transportation service.

Origin’s submission noted that its renominations are not always distinguishable by transportation service across all facilities. In its submission, Origin suggested that the AER reference records by facility operators to derive the transportation services affected by nominations and renominations (in the event contemporaneous records are called upon).

Noting Origin’s submission, the AER has provided some flexibility in the final RKG that the transportation service may not be included for the contemporaneous record i.e. auction or firm. However, the RKG notes that there remains an obligation, under rule 666(1) and (2), for a shipper to record all material auction or firm renomination variations (greater than 10 percent). This means shippers should take account of the amount of firm and auction service

finally nominated for the gas day, such that they are able to calculate a ten per cent variation in either.



### **3 Effective date**

The AER is required to publish the finalised version of the RKG by 1 December 2018. The final RKG will take effect on 1 March 2019.