

DWGM rule changes briefing

APA VTS 2023-27 access arrangement stakeholder engagement
25 November 2020

Disclaimer

- Any summary of the rule changes in this presentation is for general information only, and should not be considered a comprehensive guide to the changes
- Attendees should refer to the new rules and ensure they understand the impact of the new rules on their business

The rule change decisions are on the AEMC website

- <https://www.aemc.gov.au/rule-changes/dwgm-simpler-wholesale-price>
- <https://www.aemc.gov.au/rule-changes/dwgm-improvement-amdq-regime>

AMDQ replaced by CC

- Authorised MDQ and AMDQ CC terminate after gas day 31 Dec 2022
 - Not available for tie breaking, congestion uplift hedge or curtailment protection
- From 1 Jan 2023
 - Tie breaking rights now provided by Entry and Exit CC
 - Entry/Exit CC are NOT capacity rights
 - DTS remains market carriage
 - MP must bid and be scheduled to access the DTS
 - All MP pay tariffs to use the DTS set in DTS SP Access Arrangement and authorised by AER
 - Congestion uplift no longer applies
 - Curtailment protection from AMDQ removed
 - Curtailment Table zero will no longer apply
 - Curtailment order based on Emergency Procedures (Gas)
 - See <https://www.aemo.com.au/energy-systems/gas/emergency-management/victorian-role>

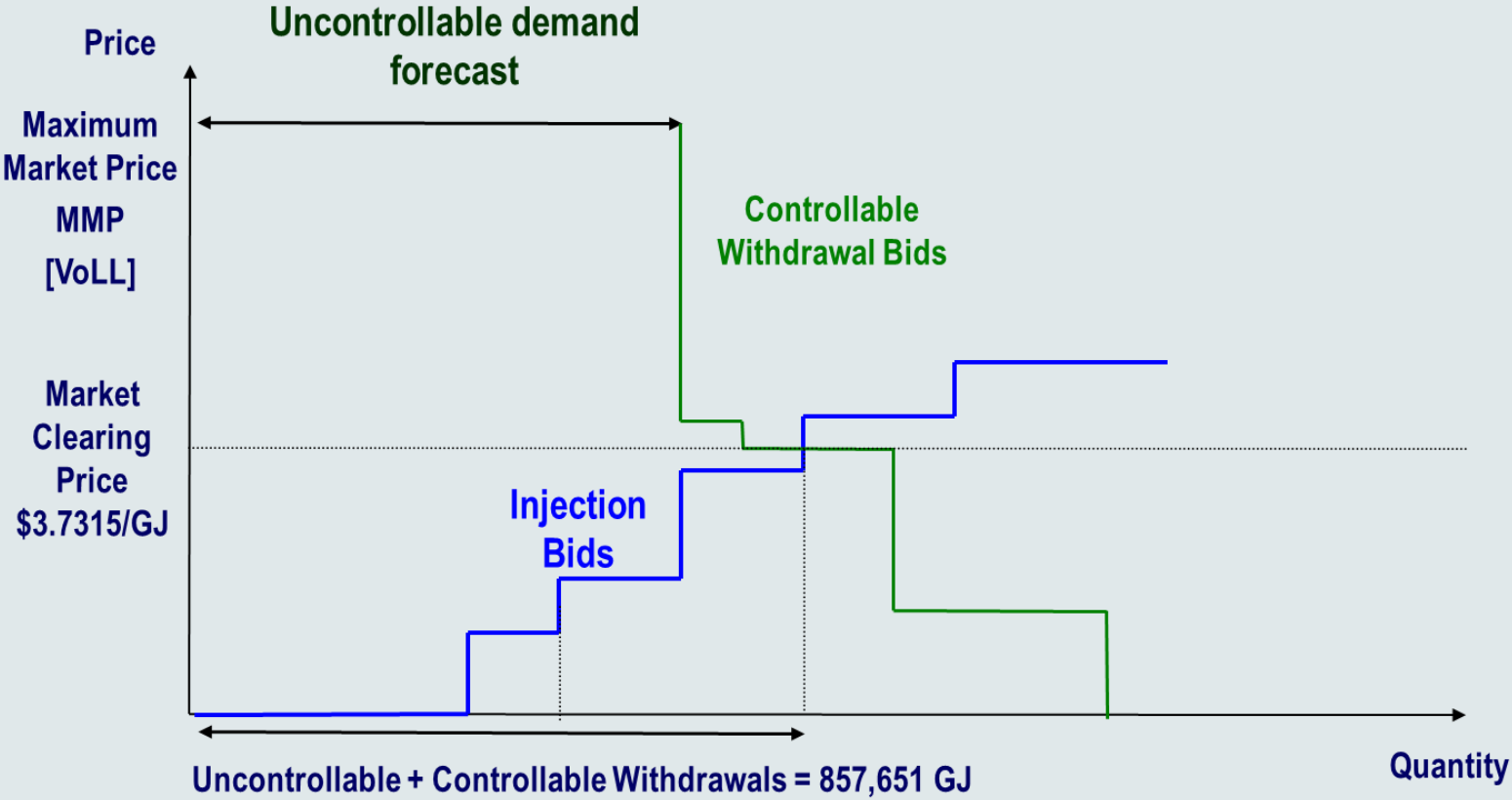
Entry or Exit CC

- Entry and Exit CC are a zone based certificate
 - A CC Zone is a group of system injection points (SIP) or withdrawal points (SWP)
- AEMO sets the CC Zones, and consults with stakeholders
 - Likely Q1 2022, with publication mandated by 31 March 2022
- Likely Entry CC zones include
 - Gippsland (Longford, VicHub, TasHub, BassGas and potentially Dandenong LNG)
 - Northern (Culcairn)
 - Southern (Iona, SEAGas, Otway, Mortlake)
- Likely Exit CC zones will match Entry CC zones (but limited to SWP)
- New connections may require changes to CC zones
 - Consultation before changes made
 - Impact on existing CC included in consultation

DWGM Scheduling process

- MP make bids to inject or withdraw gas, and forecast their demand
- Gas is then scheduled based on the cheapest injection bids to meet forecast uncontrollable demand, linepack targets and controllable withdrawal bids
 - All MP scheduled are
 - Paid for injections at the market price which is equal to, or greater than, their bid price
 - Charged for controllable withdrawals at the market price which is equal to, or less than, their bid price
 - Charged for demand forecast at the market price
- The scheduling process allows for constraints at
 - Individual SIP/SWP, which limit the quantity that can be scheduled at that point
 - Transmission constraints that limit the quantity that can flow along a pipeline from or to one or more SIP/SWP

Supply and Demand



Importance of Entry / Exit CC

- Tie breaking may be needed where two or more bids are of equal bid price and cannot be completely scheduled because any or all of the following conditions apply:
 - They are marginally priced bids and demand has been fully met
 - A transmission constraint would be exceeded for a group of SIP/SWP
 - An individual SIP/SWP constraint would be exceeded
- In these situations, those bids associated with Entry or Exit CC will be scheduled before those bids that are not
 - Tied bids will be scheduled in proportion to the CC associated with each
 - AEMO will associate Entry / Exit CC with bid steps at all SIP/SWP within a CC zone in order of price
- Important to remember that
 - Entry/Exit CC only apply where bid prices are tied
 - For example, bids without CC will be scheduled based on bid price if there are no tied bids
 - Entry / Exit CC are tie breaking rights based on system capability that maximises theoretical flows
 - Operational capacity is the capacity that can flow on a gas day at actual operational conditions and actual market outcomes at SIP and SWP

Obtaining Entry / Exit CC

- Must be a DWGM Market Participant to hold Entry / Exit CC
- Three methods to acquire Entry or Exit CC:
 1. Participating in an auction
 2. Transfer from another MP holding Entry or Exit CC
 3. From the DTS SP (APA)

CC from Auction

- For an auction product of one calendar month of Entry or Exit CC
- Scheduled auctions will be held twice a year for 3 years ahead
 - 2 months before first month
 - 6 auctions per auction product
 - Quantity per auction is the set cumulative percentage of current system capability
 - less currently allocated
 - less quantity to be allocated by DTS SP
 - System capability modelled by AEMO annually, and reviewed after winter
 - Any changes to system capability will be reflected in next auction
- Two transition auctions prior to sell capacity prior to first scheduled auction
 - CC for Jan to June 2023 will only have one scheduled auction (and so on)
 - Transition auction will cover 50% of CC that will not be sold in scheduled auctions
- Payment via Austraclear before CC are issued to successful bidders

CC from Transfers

- An MP can transfer Entry or Exit CC holdings to another MP
- Transfers are:
 - Bi-lateral and not settled on market
 - For the full period of the auction product (one calendar month)
 - Confirmed by both MP on the day the transfer is notified to AEMO
 - Completed by no later than 3 days before start of each month
 - CC are used for 2 day ahead provisional schedules
- AEMO is considering options to allow:
 - trading of CC on the GSH
 - Intra month transfers

CC from DTS SP

- DTS SP can request the AER to determine the non-regulated capacity
 - Where the DTS SP has augmented the DTS; and
 - Not added the costs to its capital base
- Where the AER has made a determination
 - DTS SP can decide the allocation of CC to MP and advise AEMO
 - The relevant MP must also request AEMO to make the allocation
 - AEMO is likely to allocate CC to the DTS SP
 - MP & DTS SP will both use the CC transfer system to request AEMO to make the allocation

Regulatory processes

- AEMO formed a working group that has been consulting in developing the market design features
- AEMO is drafting new and amended DWGM Procedures, and will conduct a formal procedure consultation process in Q1 2021
 - This will give all stakeholders two opportunities for submissions on:
 - Proposed Procedure Change
 - Impact and Implementation Report
 - AEMO will review the submissions before making a final decision
- The Procedures will take effect at different times depending on subject matter
 - System capability related – before first report in March 2022
 - Auction related – before first transition auction
 - Other changes – from 1 Jan 2023

Questions?