



## Compliance Bulletin No. 7

STTM facility information and data requirements  
in the Short Term Trading Market for gas

December 2011

© Commonwealth of Australia 2011

This work is copyright. Apart from any use permitted by the Copyright Act 1968, no part may be reproduced without permission of the Australian Competition and Consumer Commission. Requests and inquiries concerning reproduction and rights should be addressed to the Director Publishing, Australian Competition and Consumer Commission, GPO Box 3131, Canberra ACT 2601.

Inquiries about the currency of this compliance bulletin should be addressed to:

Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001  
Tel: (03) 9290 1444  
Fax: (03) 9290 1457  
Email: AERInquiry@aer.gov.au

Reference no: 47728 -D11/2330671

### **Amendment record**

---

Version	Date	Pages
1.0	9 December 2011	13

---

<b>Shortened forms and definitions .....</b>	<b>4</b>
<b>Executive Summary .....</b>	<b>5</b>
<b>1 Introduction .....</b>	<b>6</b>
<b>2 Purpose .....</b>	<b>6</b>
<b>3 Performance of STTM facility operators .....</b>	<b>6</b>
3.2 Consequences of non-compliance.....	7
<b>4 Relevant Rules .....</b>	<b>8</b>
<b>5 Regulatory framework.....</b>	<b>8</b>
5.1 Role and functions of the AER.....	8
5.2 Approach to compliance monitoring .....	9
5.2.1 Strategies to date .....	9
5.2.2 Future approach .....	9
<b>Appendix A: History of data failures .....</b>	<b>11</b>

## Shortened forms and definitions

AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Capacity information	Information provided under rule 414(1) or information that AEMO uses as a substitute for that information in accordance with the STTM Procedures
Gas day	(a) for the Brisbane hub, a period of 24 consecutive hours starting at 8:00am on each day; and (b) for any other hub, a period of 24 consecutive hours starting at 6:30am on each day.
Gas Law	National Gas Law
Gas Rules	National Gas Rules
Good gas industry practice	The practices, methods and acts that would reasonably be expected from experienced and competent persons engaged in the business of providing natural gas services in Australia, acting with all due skill, diligence, prudence and foresight and in compliance with all applicable legislation, authorisations and industry codes of practice.
MOS	The market operator service by which capacity (in GJ) is provided to balance pipeline deviations by increasing or decreasing the quantity of natural gas supplied to or withdrawn from a hub using an STTM pipeline.
STTM	Short term trading market
STTM facility allocation	The total quantity of natural gas that is taken to be supplied to or withdrawn from the relevant hub on a gas day using that registered facility service, as validly given to AEMO under rule 419 or information that AEMO uses as a substitute for that information in accordance with the STTM Procedures.
STTM facility operator	<ul style="list-style-type: none"> <li>▪ for an STTM pipeline, the relevant STTM pipeline operator; and</li> <li>▪ for any other STTM facility, a person who owns, controls or operates that facility.</li> </ul>
STTM pipeline operator	the service provider for an STTM pipeline
Trading Participant	An STTM Shipper or an STTM User with rights to deliver natural gas to an STTM hub or to withdraw natural gas from an STTM hub

## Executive Summary

The Short Term Trading Market (**STTM**) is a market for the supply of natural gas, including related services, operated and administered by the Australian Energy Market Operator (**AEMO**). There are presently three geographically separate markets centred around gas hubs in Adelaide, Brisbane and Sydney. STTM market outcomes are a product of the information and data provided by businesses including STTM facility operators (pipeline operators) to AEMO which then operates a scheduling and pricing algorithm.

The Australian Energy Regulator (**AER**) is concerned about the continuing high number of data failures by STTM facility operators. These failures can seriously impact on the efficiency of the STTM and in some cases have had adverse financial outcomes on trading participants.

The AER's strategy to date has been focussed on industry engagement to promote compliance. However, given continuing failures, STTM facility operators are now on notice that in future if the AER believes that a participant has failed to provide STTM facility data consistent with the Gas Rules, the AER will consider issuing infringement notices with associated penalties and/or seek court based orders and sanctions.

The AER considers that this approach will act as a deterrent to future non-compliance.

# 1 Introduction

The Australian Energy Regulator (AER) is responsible for monitoring compliance and enforcement in relation to the National Gas Law (**Gas Law**), the National Gas Rules (**Gas Rules**) and associated Regulations.

Part 20 of the Gas Rules establishes the STTM, a market for the supply of natural gas, including related services, operated and administered by AEMO.<sup>1</sup> There are presently three geographically separate markets centred around gas hubs in Adelaide, Brisbane and Sydney.

At the STTM hubs, gas is scheduled and traded at an ex ante price on the basis of offers, bids and facility capacity information provided to AEMO before the gas day. After the gas day, an ex post price, accounting for actual gas deliveries, is derived to apply to deviations from the schedule.<sup>2</sup>

STTM market outcomes are a product of the information and data provided by businesses to AEMO which then operates a scheduling and pricing algorithm. Efficient market outcomes rely on the quality and timeliness of information and data supplied to AEMO.

## 2 Purpose

The AER has identified a number of failures with respect to STTM facility data submitted by STTM facility operators. The purpose of this compliance bulletin is to identify the key information and data requirements placed on facility operators and outline the AER's approach to ensuring compliance with these arrangements in the future.

The AER is not providing immunity or otherwise permitting any breach of the Gas Rules. The AER may choose to take enforcement action in relation to any breach.

## 3 Performance of STTM facility operators

In February 2011 the AER met with the Chief Executives and Regulatory Managers of all four major STTM pipeline operators following several data failures in the months following STTM commencement<sup>3</sup>. AER staff outlined:

- the specific obligations on pipeline operators under the Gas Rules
- the AER's expectations for compliance with those obligations
- the AER's views on what each business should strive for with respect to good energy industry practice.

The AER committed to closely monitoring the quality and timeliness of data from facility operators as a matter of priority during 2011. The AER created a special project aimed at reducing the amount of missing, late or erroneous data by STTM

---

<sup>1</sup> As defined in rule 364 of the National Gas Rules

<sup>2</sup> There are also other related services and associated payments and prices including market operator services and contingency gas used for the balancing of gas and system security.

<sup>3</sup> The STTM pipeline operators of the Moomba Adelaide Pipeline, Moomba Sydney Pipeline, Eastern Gas Pipeline and the SEAGas pipeline.

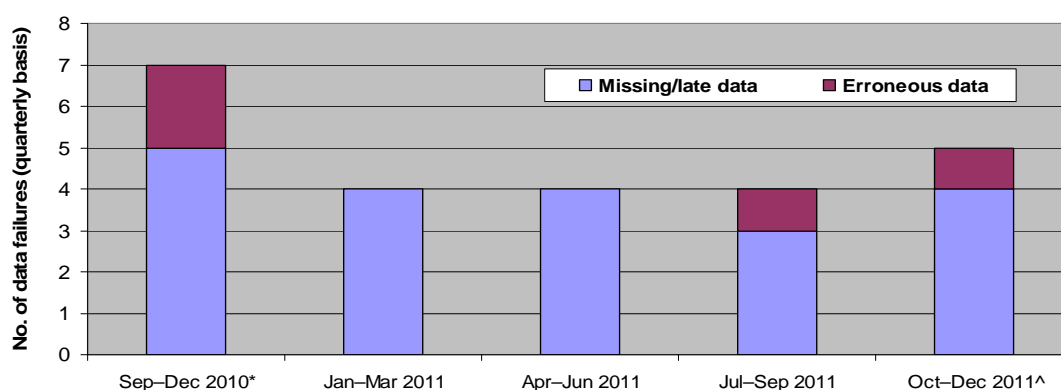
facility operators by actively engaging with facility operators whenever an error occurred to ensure processes were improved.

The AER also committed to conducting audits of facility operators arrangements for providing the required information to AEMO.

To measure the effectiveness of this monitoring project, a metric was adopted to assess the number of pipeline data failures on a quarterly basis. Each incident was categorised as either ‘missing/late’ or ‘erroneous’.

Figure 3.1 provides an indication of STTM facility operators’ performance based on the metric. It compares the number of data failures each quarter since the STTM start in September 2010. In all, since that time, facility operators have failed to provide timely or accurate data on 24 occasions.<sup>4</sup> Appendix A summarises those events.

**Figure 3.1 Number of STTM facility data failures since STTM commencement**



\*September has been grouped with the December 2010 quarter. Therefore, this data point represents four months.

^ At the time of publishing this Bulletin, there had been 5 data failures during the Oct-Dec 2011 quarter.

The high number of data failures during the 2010 December quarter may have been in part a consequence of having a new market, with new rules and new businesses participating. However the number of data failures from STTM facility operators has continued.

### 3.2 Consequences of non-compliance

The AER is concerned about the high number of data failures by STTM facility operators and continuing instances of submitted data not meeting the relevant requirements of the Gas Rules. These failures can have a serious impact on the efficiency of the STTM and in some cases have had adverse financial outcomes on trading participants.

Efficient market outcomes (including ex ante, ex post prices and settlement payments) are reliant on compliance by all participants with information and data requirements. Confidence in the STTM will be undermined if data is not submitted, is late or is inaccurate. In the worst case, participants may choose to exit the market if the STTM is producing inefficient, ad-hoc outcomes.

<sup>4</sup> This excludes the 90 instances between November 2010 and October 2011 where Epic Energy provided incorrect allocation data (on days where backhaul was scheduled) which are still under review.

## 4 Relevant Rules

This section summarises the provisions of the Gas Rules that are relevant to this compliance bulletin.

Gas Rule	Key aspects of obligation	Civil penalty provision
<b>369</b>	<b>Information standards</b>	
369	Prepare and submit information or data and maintain equipment from which that information or data is derived in accordance with good gas industry practice	Yes
<b>414</b>	<b>Capacity information</b>	
414(1)	Provide capacity information for next 3 gas days in accordance with good gas industry practice	Yes
<b>419</b>	<b>STTM facility allocations</b>	
419(1) and (2)	Provide allocation notices containing STTM facility allocations and details of MOS allocations and quantity of overrun MOS <sup>5</sup>	No

## 5 Regulatory framework

This section describes the AER's functions and responsibilities.

### 5.1 Role and functions of the AER

The AER has functions and powers,<sup>6</sup> which include:

- monitoring compliance with the Gas Law and the Gas Rules
- investigating breaches or possible breaches of the Gas Law and the Gas Rules
- instituting proceedings in relation to breaches
- issuing infringement notices for breaches of civil penalty provisions.<sup>7</sup>

In exercising these functions and powers, we work to ensure that:

- our approach is consistent over time
- our processes are cost effective for relevant participants and the AER
- our activities are transparent.

---

<sup>5</sup> MOS, market operator service, accounts for the capacity (in GJ) which is provided to balance pipeline deviations by increasing or decreasing the quantity of natural gas supplied to or withdrawn from a hub using an STTM pipeline.

<sup>6</sup> The AER's functions and powers are outlined in Section 27 of the National Gas Law

<sup>7</sup> Section 279 of the NGL sets out that the maximum infringement penalty for a breach of a civil penalty provision is \$4000 (for a natural person) or \$20 000 (for a body corporate)



The AER has detailed its methods for compliance and enforcement in the *AER Compliance and Enforcement—Statement of Approach* (Statement of Approach) which is available on the AER website.<sup>8</sup> Part 3 of the Statement of Approach explains the AER's approach to monitoring compliance, how the AER responds to possible breaches, and how it decides whether or not to take enforcement action.

## **5.2 Approach to compliance monitoring**

As set out in our Statement of Approach,<sup>9</sup> the AER has regard to each instance of potential non-compliance, including the materiality of the conduct in question when forming a view on what, if any, enforcement action to take.

Given the sustained pattern of apparent non-compliance with STTM facility data requirements, and the adverse consequences this has on the STTM, the AER has decided to adopt a targeted enforcement strategy. This approach recognises the strategies adopted to date by the AER, with STTM facility data requirements, have not resulted in satisfactory improvements in compliance outcomes.

### **5.2.1 Strategies to date**

The AER's strategy to date has been focussed on industry engagement to promote compliance. Accordingly, the AER has discussed each data failure with STTM facility operators and the AER has received a number of assurances from businesses regarding measures to prevent future non compliance.<sup>10</sup> At the same time, the AER commenced business audits of the STTM facility operators.<sup>11</sup>

The AER is concerned that these measures alone have not produced the degree of compliance expected by the AER and industry. The AER therefore considers that a targeted enforcement strategy is now appropriate to reduce the number of STTM data failures.

This approach accounts for the fact that *all* STTM facility operators have appeared to fail to provide accurate, timely data at times, and the AER is not satisfied with the level of compliance by STTM facility operators across the board.

### **5.2.2 Future approach**

STTM facility operators are therefore on notice that in future if the AER suspects that a participant has failed to provide STTM facility data consistent with the Gas Rules, the AER will consider issuing infringement notices with associated penalties and/or seek court based orders and sanctions.

The AER considers that this approach will act as a deterrent to future non-compliance. That is, it will create an incentive for STTM facility operators to ensure their compliance processes are robust enough to prevent non-compliance.

---

<sup>8</sup> Available at: <http://www.aer.gov.au/content/index.phtml?itemId=685897>

<sup>9</sup> Available at: <http://www.aer.gov.au/content/index.phtml?itemId=685897>

<sup>10</sup> As reported on in the AER's Quarterly Compliance Report. Available at: <http://www.aer.gov.au/content/index.phtml/itemId/692887>

<sup>11</sup> The AER has commenced auditing APA Group's operation of the Moomba Sydney Pipeline and intends to conduct similar audits of other STTM facilities over the course of 2012.

If data is submitted late, is incorrect or not submitted at all, STTM facility operators should immediately approach the AER to explain why the failure occurred and justify why further enforcement steps should not be taken.

The AER will also consider each matter on its merits, including all relevant factors surrounding the non-compliance.

This Bulletin does not prevent the AER from reviewing possible past breaches of the STTM data requirements nor taking action in relation to those matters.

## Appendix A: History of data failures

The AER has examined a number of data failures by STTM facility operators since STTM commencement on 1 September 2010. The following examples summarise those incidents and the impact on the market caused by the data failures. Further details of these specific events can be found in the AER's weekly gas reports and quarterly compliance reports and also in market notices and event reports published by AEMO.<sup>12</sup>

Many of these incidents may potentially constitute breaches of rules 414(1) and 419(1),(2) of the Gas Rules as they concern failures to submit data by cut-off times specified. The instances of late data and instances of incorrect data noted below also raise compliance concerns in relation to good gas industry practice by participants.

### APA Group

*8 October 2010*

APA Group (APA) informed the AER that for the 8 October gas day due to erroneous data calculations and transpositional errors it submitted incorrect facility allocation data for the Moomba to Sydney Pipeline (MSP) of 329 TJ instead of 140 TJ. Consequently, the ex post price was higher than what it should have been. The ex post price on this gas day was \$390/GJ, a record in any STTM hub to date and close to the market ceiling of \$400/GJ.

*1 November 2010*

APA informed the AER that due to issues with data systems the available capacity submitted for this gas day (74TJ) was lower than the actual available capacity. As a consequence, the ex ante price at the Sydney hub was higher than what it should have been. The ex ante price on this gas day was a record high in any STTM hub to date of \$150/GJ.

*1 June 2011*

APA did not submit its facility allocation data to AEMO by the 11am cut-off time for this gas day. APA informed the AER that this was due to APA's files being rejected by AEMO systems caused by facility contract information not matching. Consequently, AEMO used a default allocation figure, and the ex post price was higher than what it should have been.

### AGL

*8 September and 1 October 2011*

AGL informed the AER that it provided erroneous facility capacity data of 2 TJ for the Rosalind Park facility (ROS) on both gas days. Consequently, the ex ante prices for these gas days were higher than what they should have been.

*22 September and 24 September 2011*

AGL did not submit facility capacity information by the 9:30am cut-off time for these gas days but did so shortly after. AGL noted that this was due to human error. These errors did not result in any price impacts.

---

<sup>12</sup> See the AER's website at <http://www.aer.gov.au/content/index.phtml/itemId/656069>; and AEMO's website at [www.aemo.com.au](http://www.aemo.com.au)

## **Epic Energy**

*22 November 2010 and 24 November 2010*

Epic Energy (Epic) did not submit facility allocation data for the Moomba to Adelaide Pipeline (MAP) to AEMO by the 11am cut-off time for the 22 November gas day. Epic informed the AER this was due to password problems connecting to AEMO's systems. Consequently, AEMO was required to use default allocation data which impacted on the ex post price.

The same password issue prevented Epic from providing facility capacity information for the 24 November gas day by the required timeframe. Consequently, AEMO used default capacity data but this did not impact on the ex ante price.

*27 January and 30 January 2011*

Epic did not submit facility allocation data for MAP by the required time for the 27 and 30 January gas days. Epic informed the AER this was a result of IT and human errors. Consequently, AEMO used default allocation data for both days, which impacted on the ex post prices.

*22 May 2011*

Allocation data was not submitted by the cut-off time for this gas day. Epic informed the AER that this was due to issues with how MOS was allocated in systems which resulted in a file being rejected by AEMO's systems. AEMO used default allocation data for this day which impacted the ex post price.

*November 2010 – October 2011*

In October 2011 Epic informed the AER that its formula for calculating allocations from the MAP into the Adelaide STTM hub had contained an error since market start. This meant that quantities of gas backhauled out of the hub had not been taken into account when calculating the forward-haul quantities of gas delivered to the hub. Epic noted that this error affected ninety gas days.

*16 November 2011*

Epic did not provide facility capacity information by the 9:30 cut-off time for this gas day. Data was submitted shortly after this deadline and consequently there was no impact on the ex ante price.

## **Jemena**

*5 September 2010*

Jemena did not provide allocation data by the cut-off time. Jemena informed the AER that the cause of the incident was the failure of IT equipment. Consequently, AEMO used default allocation data and this impacted on the ex-post price.

*15 March and 24 March 2011*

Jemena informed the AER that as a result of IT errors and incorrect manual processes it submitted erroneous (under-estimated) allocation data for the Eastern Gas Pipeline (EPG) for these gas days (13.5 TJ and 18 TJ respectively). Consequently, ex-post prices were lower than what they should have been.

*6 May 2011*

Jemena did not submit EGP allocation data for the 6 May gas day by the cut-off time. Jemena informed the AER that this was the result of a hardware fault. Consequently, AEMO used default allocation data. There was no impact on ex post prices given a small difference between actual and default allocation data.

*8 September 2011*

Jemena did not submit its allocation data for 8 September gas day by the 11am cut-off time. Jemena informed the AER that the delay was due to missing meter data caused by a change-over in IT servers. This event did not impact on the ex post price but delayed publication of the ex post price to 4:00pm.

*5 November 2011*

Jemena informed the AER that it submitted inaccurate allocation data for this gas day as a result of an issue with a SCADA system time clock. Jemena resubmitted corrected data before 3:00 pm. Consequently, this inaccuracy did not impact on the ex post price but delayed calculation of the ex post price to 4:00pm.

*19 November and 21 November 2011*

Jemena informed the AER that due to unplanned connectivity issues on Sunday 20 November it did not submit facility allocation data for the 19 November gas day by the 11:00am deadline. Data was later submitted such that there was no impact on the ex post price but the calculation of the price was delayed to 4:00 pm.

Jemena informed the AER that due to the same connectivity issue it did not submit facility capacity data for 21 November gas day by the 9:30am deadline. Consequently, AEMO used a default capacity figure with no price impact

## **SEAGas**

*20 November 2010 and 22 November 2010*

SEAGas did not provide facility allocation data for the SEAGas Pipeline to AEMO by the 11am cut-off time for the 20 November 2010 gas day. SEAGas informed the AER that this was due to a planned power outage in its office building affecting the transmission of data reports. AEMO used default allocation data for 20 November gas day, however this did not impact on the ex post price given a small difference on this occasion between actual and default allocation data.

The same issue also prevented SEAGas from providing facility capacity information for the 22 November gas day by the required timeframe. Consequently, AEMO used a default capacity figure with no price impact.

*17 May 2011*

SEAGas did not provide facility allocation data by the cut-off time for the 17 May gas day. SEAGas informed the AER that this incident was associated with a hardware system upgrade. Consequently, AEMO was required to use default allocation data for this gas day, which impacted on the ex post price.