

WHOLESALE MARKET AMDQ PROCEDURES (VICTORIA)

PREPARED BY: Settlements
DOCUMENT REF: Enter Document Ref
VERSION: 0.1
DATE: 2 May 2014
Draft

Incorporating:

AMDQ Transfer Procedures

AMDQ Auction Procedures

This document is current to version 198 of the National Gas Rules

Approved for distribution and use

[Name]
[Title]

Date / /2014

Version Release History

VERSION	DATE	AUTHOR	PEER REVIEW	APPROVED	COMMENTS
NGR 1.0	1 July 2010	Lothar Doerre			Rebranded
NGR 2.0	10 April 2012	Christine Kang	Chris Devlin Canh Diep David Tagg Chin Chan		Changes were made to: <ul style="list-style-type: none"> clarify that the AMDQ transfer process requires Compliant Form; remove the fee rate from the Procedure and refer to the Form; eliminate the Form requirement Clause to make the document concise; and ensure that the Procedure does not need to be updated as a result of revisions to the 'AMDQ Locational and diversity factors' table from time to time, and that the latest version of the table is always accessible.
<u>Draft</u>	19 Sept 2013 <u>May 2014</u>	Sara Atukorala/Louise Thomson	Roger Shaw David Tagg		<ul style="list-style-type: none"> Include validation to confirm firm capacity. clarify the prioritisation process Include requirement for Accreditation Include AMDQ Credit Nomination Process and AMDQ Auction Procedure into this procedure Complete review of combined procedure for clarification, consistency with NGR and readability

This document has been created by the Settlements and Prudentials Group and will be reviewed from time to time.

Any queries or suggestions for improvement should be addressed to the AEMO Support Hub at support.hub@aemo.com.au.

Important Notice

These Procedures are made by AEMO for the purposes of rules 331(1) and 330(6) of the National Gas Rules (NGR) and associated matters relating to entitlements to transfer and utilise pipeline capacity, including for the purposes of determining payments under rules 239 and 240. These Procedures have effect only for those purposes. The NGR and the National Gas Law prevail over these Procedures to the extent of any inconsistency.

| © 2014~~3~~ – Australian Energy Market Operator Limited

Contents

1	Introduction.....	7
2	Purpose	7
3	Legal and Regulatory Framework	7
4	Related Documents.....	7
5	Requirements for Transfers and Nominations	<u>87</u>
5.1	General Requirements	<u>87</u>
5.2	Permitted Transfers.....	8
5.3	Registration of AMDQ Credit Certificates.....	8
5.4	Nomination of AMDQ credit certificates	8
5.5	Evidence of Firm Capacity	9
5.6	Expiry or Relinquishment of Firm Capacity Rights.....	<u>109</u>
5.7	Effective Date	<u>109</u>
5.8	Duration of Transfers.....	10
5.9	Duration of Nominations.....	10
5.10	Appointment of a Transfer Agent	<u>1140</u>
5.11	Non-Market Participants - Customers and Transfer Agents	<u>1140</u>
5.12	Transferee Consent.....	<u>1140</u>
6	Assessment of Applications	11
6.1	Restrictions on Transfer and Nomination Quantities	11
6.1.1	Diversity and Locational Factors	11
6.1.2	Adverse Impact	11
6.2	Processing Time.....	<u>1244</u>
6.2.1	Incomplete Form	<u>1244</u>
6.2.2	Normal processing time.....	<u>1244</u>
6.3	Priority and delays.....	<u>1244</u>
7	Notifications & information published by AEMO	12
7.1	Notification of completed transfers.....	12
7.2	Available transfer information.....	12
7.3	Public Report Publication on Market Information Bulletin Board	<u>1342</u>
7.4	Notification of registration of an AMDQ credit certificate nomination.....	<u>1342</u>
8	AMDQ Auctions.....	13
8.1	Application of auction requirements.....	13
8.2	Notice of auction.....	13
8.3	Applicable AMDQ Location and Diversity Factors	13
8.4	Information to be contained in bids	<u>1413</u>
8.5	Allocation of available authorised MDQ by AEMO.....	<u>1413</u>
8.6	Payment following allocation of available <i>authorised MDQ</i>	14

GLOSSARY

- (a) In this document, a word or phrase *in this style* has the same meaning as given to that term in the National Gas Rules (NGR).
- (b) In this document, the words or phrases or acronyms in the table below have the meaning set out in the table.
- (c) Unless the context otherwise requires, this document will be interpreted in accordance with Schedule 2 of the *National Gas Law*.

TERM	MEANING
AMDQ	Authorised maximum daily quantity (collective term for <i>authorised MDQ</i> , and <i>AMDQ credits</i> or <i>AMDQ credit certificates</i> as the context allows).
Applicant	The party who has submitted a Form to AEMO to: (a) transfer <i>authorised MDQ</i> or <i>AMDQ credit certificates</i> ; or (b) nominate <i>AMDQ credit certificates</i> .
Auction	An auction of <i>authorised MDQ</i> conducted under rule 330 of the NGR.
Compliant Form	A Form that contains complete and accurate information and which has been signed and dated by the Transferor and/or the Transfer Agent, together with any additional information required under these Procedures.
Diversity Factor	A conversion factor applied to any transfer of <i>authorised MDQ</i> : (a) between <i>tariff D withdrawal points</i> ; (b) from a <i>tariff D withdrawal point</i> to the Reference Hub; or (c) from the Reference Hub to a <i>tariff D withdrawal point</i> .
Financially Responsible Organisation	In respect of <i>authorised MDQ</i> held at a <i>tariff D withdrawal point</i> , the entity responsible to AEMO under the NGR for the payment of settlement and other market charges related to gas supplied to that <i>tariff D withdrawal point</i> .
Form	An AMDQ Transfer Request Form or AMDQ Credit Certificate Nomination Form published on AEMO's website.
Interconnected Facility	A transmission pipeline or storage facility that is directly connected to the <i>declared transmission system</i> at a <i>system withdrawal point</i> , but does not form part of the <i>declared transmission system</i> .
Locational Factor	A conversion factor applied to any transfer of <i>authorised MDQ</i> : (a) between <i>tariff D withdrawal points</i> ; (b) from a <i>tariff D withdrawal point</i> to the Reference Hub; or (c) from the Reference Hub to a <i>tariff D withdrawal point</i> , which is used to calculate the equivalent amount of <i>authorised MDQ</i> at the destination site (being the <i>tariff D withdrawal point</i> or the Reference Hub to which <i>authorised MDQ</i> is to be transferred).
Nominating Party	An Applicant who has submitted a nomination Form.
nomination	Nomination of <i>AMDQ credit certificates</i> to the locations and for the purposes set out in clause 5.45-3 .
Reference Hub	A common point of reference within the <i>declared transmission system</i> established by AEMO for the purpose of valuing AMDQ.

SWP	A <i>system withdrawal point</i> .
transfer	A transfer of <i>authorised MDQ</i> or <i>AMDQ credit certificates</i> .
Transfer Agent	A person duly appointed by a Transferor to act on its behalf for the purpose of applying to AEMO for a transfer of AMDQ.
Transferee	A recipient of a transfer of AMDQ.
Transferor	A person holding AMDQ who intends to transfer all or part of that AMDQ to another person.

1 Introduction

- (a) These AMDQ Procedures are made, and may only be amended, in accordance with Part 15B of the National Gas Rules (NGR).
- (b) These Procedures commence on 1st ~~May~~ July 2014.

2 Purpose

These Procedures incorporate the *AMDQ transfer procedures* and *AMDQ auction procedures* and include the nomination process. They set out the requirements for:

- (a) transfer of authorised MDQ or AMDQ credit certificates (NGR rule 331(1));
- (b) auction of available *authorised MDQ* (NGR rule 330(6)); and
- (c) nomination of *AMDQ credit certificates* to enable *AMDQ credit* to be applied for the purposes of rules 239 and 240 of the NGR.

3 Legal and Regulatory Framework

- (a) These Procedures are Wholesale Market Procedures made pursuant to rule 135EA(2) of the NGR.
- (b) Rule 331 of the NGR requires AEMO to make *AMDQ transfer procedures* for the transfer of *authorised MDQ* and *AMDQ credit certificates* between parties as contemplated by that rule.
- (c) Rule 330 of the NGR requires AEMO to make *AMDQ auction procedures* for the allocation of available *authorised MDQ* under rule 330(4)(b).
- (d) In addition, these Procedures include requirements for the nomination of *AMDQ credit certificates* to relevant sites or points, to enable the resulting *AMDQ credit* to be applied for the purposes of rules 239 and 240.

4 Related Documents

- AMDQ Transfer Request Form
- AMDQ Credit Nomination / Renomination Form
- Service Provider Confirmation Form
- Primary Shipper Confirmation Form
- AMDQ Transfer Algorithms for the Transfer of Authorised MDQ and AMDQ Credit Certificates
- AEMO Wholesale Market Accreditation Procedure
- Guidelines for Applicants – Release of Authorised MDQ
- Request Bids for Authorised MDQ Form.

5 Requirements for Transfers and Nominations

5.1 General Requirements

AEMO will only initiate the transfer or nomination process if a Compliant Form has been received by AEMO, and:

- (a) the quantity of AMDQ to be transferred or nominated does not exceed the amount of *authorised MDQ* or *AMDQ credit certificates* (as applicable) registered in the name of the Transferor or Nominating Party; and
- (b) for a transfer of any quantity of AMDQ that was allocated to the Transferor by the *declared transmission system service provider* under rule 329 of the NGR (other than a transfer between a *tariff D withdrawal point* and the Reference Hub), the *declared transmission system service provider* has approved the transfer; and
- (c) if a transfer or nomination relates to an SWP at an Interconnected Facility:
 - i. AEMO has received satisfactory evidence in accordance with clause ~~5.55-4~~ that the Transferee or Nominating Party (as applicable) is entitled to sufficient firm capacity on that Interconnected Facility to cover the transfer or nomination quantity, plus any existing AMDQ held at that SWP by the Transferee or Nominating Party (as applicable); and
 - ii. accreditation of a sufficient *controllable quantity* to cover the AMDQ transfer amount or nominated quantity is in place under rule 210 of the NGR, or an application for accreditation is submitted with the Form.

5.2 Permitted Transfers

- (a) Transfers of *authorised MDQ* can only be undertaken:
 - i. between tariff D withdrawal points;
 - ii. between a *tariff D withdrawal point* and the Reference Hub; or
 - iii. at the Reference Hub.
- (b) Transfers of *AMDQ credit certificates* can only be undertaken between parties at the Reference Hub.

5.3 Registration of AMDQ Credit Certificates

A party which holds AMDQ credit certificates must register the AMDQ credit certificates with AEMO. The party must provide:

- (a) certificate details;
- (b) *close proximity injection point* MIRN; and
- (c) effective date of registration.

5.4 Nomination of AMDQ credit certificates

- (a) *AMDQ credit certificates* registered by AEMO must then be nominated to a location permitted under these Procedures in order for *AMDQ credit* to be used or applied for any purpose contemplated by the NGR, including uplift hedges. Nominations to a *tariff D withdrawal point*

may also provide limited protection from curtailment conditions set out in the Victorian Gas Load Curtailment and Recovery Guidelines.

- (b) A person holding *AMDQ credit certificates* can nominate all or part of those *AMDQ credit certificates* to:
- i. the Reference Hub;
 - ii. a *tariff D withdrawal point* for which that person is also the Financially Responsible Organisation; or
 - iii. an SWP at an Interconnected Facility.

5.5 Evidence of Firm Capacity

(a) For a transfer of *authorised MDQ* or nomination of *AMDQ Credit Certificates* to an SWP at an Interconnected Facility, the *Market Participant* who is the Transferee or Nominating Party must provide evidence satisfactory to AEMO that it, or a buyer of gas from that party, it holds firm capacity rights on that Interconnected Facility:

- i. for at least the date range of the transfer or nomination request; and
- ii. at least equal to the total quantity of AMDQ to be held at the SWP by the Market Participant after the relevant transfer or nomination is registered.

(b) –The evidence must comprise a signed confirmation, in a form acceptable to AEMO:

- i. be in the form of a letter on company letterhead signed on behalf of from the service provider of the Interconnected Facility identifying the person (primary shipper) that has contracted the relevant firm capacity from the service provider; and
- ii. if the primary shipper is not the Market Participant, from that primary shipper confirming that it has either:
 - transferred those firm capacity rights to the Market Participant; or
 - acquired a corresponding quantity of gas at the SWP from the Market Participant.
- iii. if applicable, from each other person deriving firm capacity rights from the primary shipper, confirming the relevant capacity transfer or gas trade, sufficient to establish that the Market Participant, or a buyer of gas from the Market Participant, is entitled to use the relevant quantity of firm capacity on the Interconnected Facility for the relevant period.

~~–and (if applicable) a letter meeting the same requirements from any other person from whom the Transferee or Nominating Party has acquired the firm capacity. The letter(s) must confirm the following: details of the person that holds the firm capacity contracted from the service provider (whether or not that person is also the Transferee or Nominating Party;~~

~~details of the person that holds the firm capacity contracted from the service provider (whether or not that person is also the Transferee or Nominating Party;~~

~~that the firm capacity is contracted for at least the date range of the transfer or nomination request;~~

~~that the quantity of the firm capacity contracted is not less than the total quantity of AMDQ to be held at the SWP by the Market Participant after the relevant transfer or nomination is registered); and~~

~~if relevant, the quantity and duration of the Market Participant's entitlement to firm capacity acquired from a person referred to in paragraph (a).~~

5.6 Expiry or Relinquishment of Firm Capacity Rights

If:

(a) ~~If the period by the end of the period~~ specified in a ~~confirmation letter of evidence~~ under clause 5.5 expires, or a confirmation is updated so that the relevant entitlement to firm capacity is less than the *Market Participant's* total AMDQ at the relevant SWP, and no replacement evidence has been provided,; ~~or~~ AEMO will either transfer or nominate the quantity of AMDQ that exceeds the available firm capacity rights:

~~(b) by an earlier date from which AEMO has been notified, by the person who provided the relevant letter of evidence, that the *Market Participant* no longer holds sufficient firm capacity on an Interconnected Facility to cover its total quantity of AMDQ at the relevant SWP,~~

~~AEMO has not received evidence (in the same form as required under clause 5.5) that the *Market Participant* has acquired sufficient replacement firm capacity, AEMO will either transfer or nominate the quantity of AMDQ that exceeds that *Market Participant's* firm capacity rights:~~

~~(e)(b)~~ to the Reference Hub; or

~~(e)(c)~~ to another site as instructed by that *Market Participant* (subject to the requirements of these Procedures).

5.7 Effective Date

(a) Subject to paragraph (b), a transfer or nomination takes effect at the start of the *gas day* commencing on the 'From Date' on the Form, which must not be less than 5 days after the date on which AEMO receives a Compliant Form.

(b) If AEMO is unable to process the application by the 'From Date', AEMO will notify the Applicant as soon as practicable and the transfer or nomination will take effect at the start of the next *gas day* after AEMO notifies the Applicant that processing is complete, or a later date agreed between AEMO and the Applicant.

5.8 Duration of Transfers

If a Transferor nominates a 'To Date' on the Form, then:

- (a) the duration of that transfer will be from the effective date under clause 5.7 to the end of the *gas day* that commences on the 'To Date' on the Form;
- (b) at the end of that period, the relevant AMDQ will transfer back to the Transferor at the location from which the original transfer was made; and
- (c) the Transferee must provide a written acknowledgment that the transfer will cease to apply at the end of that period and that the AMDQ previously transferred will revert to the Transferor.

5.9 Duration of Nominations

A nomination will apply from the effective date under clause 5.7 until the end of the *gas day* that commences on the earlier of:

- (a) the date (if any) specified by the Nominating Party on the Form as the day on which the nomination is to cease to apply;
- (b) the date (if any) subsequently notified in writing to AEMO by the Nominating Party as the last day on which the nomination is to apply; or

- (c) for a *tariff D withdrawal point*, the day before a customer transfer for the relevant site to another *Market Participant* takes effect.

Note: Any *AMDQ credit* nominated to a *tariff D withdrawal point* becomes unavailable to the *Market Participant* for hedging and/or tie-breaking purposes if the site churns to another *Market Participant*. It is recommended that a Form nominating that *AMDQ credit* to the Reference Hub or other *tariff D withdrawal points* is submitted in time to be processed before the customer transfer occurs.

5.10 Appointment of a Transfer Agent

Any person entitled to transfer AMDQ under these Procedures may appoint a Transfer Agent to act on its behalf for the purpose of completing the Form. Suitable evidence confirming the appointment of the Transfer Agent must be provided with the Form.

5.11 Non-Market Participants - Customers and Transfer Agents

A Customer or Transfer Agent who is not a *Market Participant* is bound by these Procedures and by the applicable provisions of the NGR and may transfer AMDQ in accordance with rule 331(2).

5.12 Transferee Consent

Where the Applicant is not the Transferee, suitable evidence confirming the Transferee's consent to the transfer must be provided with the Form.

6 Assessment of Applications

6.1 Restrictions on Transfer and Nomination Quantities

6.1.1 Diversity and Locational Factors

The methodology by which Diversity Factors and Locational Factors are applied to account for the effect of pipeline network dynamics on the value of *authorised MDQ* when transferred or *AMDQ credit certificates* when nominated is described in the "AMDQ Transfer Algorithms for the Transfer of Authorised MDQ and AMDQ Credit Certificates" document published on the AEMO website.

The methodology takes into account the available spare capacity within the *declared transmission system*.

6.1.2 Adverse Impact

Where AEMO determines that a transfer of authorised MDQ, or a nomination of AMDQ credit certificates, may have an adverse impact on pipeline system dynamics, including increasing the risk of capacity constraints, AEMO may:

- (a) decline to process the transfer or nomination; or
- (b) attach conditions to the transfer or nomination; or
- (c) reduce the amount of AMDQ that may be transferred or nominated.

If paragraph (c) applies, AEMO will notify the Applicant in writing of the maximum quantity of AMDQ that may be transferred or nominated. The Applicant must then notify AEMO in writing as soon as possible if it wishes to withdraw the Form or amend the transfer or nomination quantity.

6.2 Processing Time

6.2.1 Incomplete Form

If AEMO receives a non-Compliant Form, it will notify the Applicant in writing and will only resume processing the transfer request once a Compliant Form has been received by AEMO.

6.2.2 Normal processing time

AEMO will use reasonable endeavours to process transfer and nomination applications within six (6) business days of AEMO receiving a Compliant Form.

6.3 Priority and delays

- (a) Applications for transfers and nominations will be processed under a single priority queue in accordance with the time and date order in which a Compliant Form is received by AEMO.
- (b) In some circumstances applications may require longer processing times than would otherwise apply, in which case AEMO will advise the applicant as soon as reasonably practicable of the expected completion time. These circumstances may include, for example:
 - i. applications relating to a lateral pipeline where there is a limit on the quantity of AMDQ that may be transferred to that lateral pipeline; or
 - ii. where AEMO needs to undertake modelling to establish whether any limits should be imposed on the amount of capacity to be transferred or nominated.

7 Notifications & information published by AEMO

7.1 Notification of completed transfers

AEMO will notify the following parties within one (1) business day of registering a transfer:

- (a) the Transferor where a Transfer Agent is not used;
- (b) the Transferee where a Transfer Agent is not used;
- (c) the Transfer Agent where a Transfer Agent is used; and
- (d) the Transferor's and Transferee's Financially Responsible Organisation (if not one of the above parties).

AEMO will use the same means of notification as was used by the Applicant for submission of its application to AEMO (either by post or e-mail).

7.2 Available transfer information

AEMO will provide the following information to the parties set out on the Form and identified below:

- (a) Transferor – transferred amount, amended source site amount, destination site and transfer period;
- (b) Transferee – transferred amount, amended destination site amount, source site and transfer period;
- (c) Transfer Agent – Transferor's transfer amount, Transferee's transfer amount, source site, destination site and transfer period;

- (d) Transferor's Financially Responsible Organisation (if not one of the above parties) – transferred amount, source site and transfer period; and
- (e) Transferee's Financially Responsible Organisation (if not one of the above parties) – transferred amount, destination site and transfer period.

7.3 Public Report Publication on Market Information Bulletin Board

AEMO will publish on the *market information bulletin board*:

- (a) the aggregate amount of *authorised MDQ* and the aggregate amount of *AMDQ credit certificates* transferred on each *gas day*, and
- (b) the indicative amount of available spare capacity at selected locations within the *declared transmission system*.

and will update this information as soon as reasonably practicable.

7.4 Notification of registration of an AMDQ credit certificate nomination

AEMO will notify the Applicant within one (1) business day of registering a nomination. AEMO will use the same means of notification as was used by the Applicant for submission of its application to AEMO (either by post or e-mail).

8 AMDQ Auctions

8.1 Application of auction requirements

The procedure in this clause 8 applies in the event that there is insufficient available *authorised MDQ* to satisfy the requirements of all persons have requested an allocation of *authorised MDQ* made available under rule 330(1) of the NGR.

8.2 Notice of auction

Where AEMO is required to conduct an auction under rule 330(4)(b), AEMO will publish a notice on the AEMO website and via an AEMO communication (email):

- (a) setting out the amount of *authorised MDQ* available to the market, subject to the factors described in clause 8.3; and
- (b) inviting interested persons to bid for *authorised MDQ* in accordance with clause 8.4.

8.3 Applicable AMDQ Location and Diversity Factors

The amount of available *authorised MDQ* is based on a load diversity factor of 1.000 and location at the Reference Hub. An *authorised MDQ* Diversity Factor of 1.000 will apply to *authorised MDQ* obtained through the AMDQ auction process. The Locational Factors that apply to *authorised MDQ* allocated to sites are in Table 1 of the *Authorised MDQ Transfer Algorithm* (latest version at the date of publication of the auction notice) as published on AEMO's website. The relevant Locational Factors should be taken into account by all persons proposing to submit a bid.

Further information regarding how the AMDQ Locational and Diversity Factors operate is found in the document entitled "Guidelines for Applicants – Release of Authorised MDQ" and published on AEMO's website.

8.4 Information to be contained in bids

Bids must be in writing and must conform to the following requirements:

- (a) each bid must be for a separate quantity expressed in gigajoules (GJ) at a price;
- (b) bid prices must be made in whole dollars and cents, exclusive of GST;
- (c) each bid must be for a nominated *MIRN* or to the Reference Hub;
- (d) no more than five bids can be made by any person; and
- (e) bids must be unconditional.

AEMO may determine that a bid (or part of a bid) is invalid if the bid is illegible or does not comply with any of the above requirements.

8.5 Allocation of available authorised MDQ by AEMO

AEMO will allocate available *authorised MDQ* on the basis of highest bid to lowest bid price.

- (a) If the last successful bids are tied, the remaining amount of available *authorised MDQ* will be allocated between the relevant bidders by a pro-rata method according to the quantities requested.
- (b) If the sum of requested available *authorised MDQ* under valid bids is less than the total amount of *authorised MDQ* available for allocation, then the available *authorised MDQ* will be allocated to all bidders in accordance with their valid bids and the Locational and Diversity Factors.

8.6 Payment following allocation of available *authorised MDQ*

- (a) Successful bidders will be invoiced for the allocated quantity of available *authorised MDQ* according to the successful bid price(s) plus GST.
- (b) Available *authorised MDQ* allocations will be processed and completed within 5 business days following the date that AEMO receives payment.
- (c) If a successful bidder fails to make payment to AEMO within 20 business days of the invoice date, or as agreed by AEMO (maximum 5 business days extension), then AEMO will cancel that allocation and re-allocate the available *authorised MDQ* to the remaining bidders until the available *authorised MDQ* is fully allocated.