

IMPACT & IMPLEMENTATION REPORT (IIR)

Issue number	23		
Impacted jurisdiction(s)	Queensland, New South Wales, South Australia		
Proponent	Kirsten Kenny (Shell)	Company	Shell Energy Australia
Affected gas market(s)	Gas Supply Hub	Consultation process (ordinary or expedited)	Expedited
Industry consultative forum(s) used	Gas Supply Hub Reference Group		
Short description of change(s)	Amendments to clarify the process for cancelling restricted trading arrangements on the Gas Supply Hub.		
Procedure(s) or documentation impacted	Gas Supply Hub Exchange Agreement		
Summary of the change(s)	Administrative changes to: <ul style="list-style-type: none"> Outline the process that GSH members must follow to cancel a restricted trading arrangement. Outline the timing and steps AEMO will follow on receipt of a request to cancel a restricted trading arrangement. 		
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Date IIR published	29 October 2021	Date consultation concludes	12 November 2021
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IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

1. DESCRIPTION OF ISSUE

Restricted trading

On 27 May 2021 following industry consultation, AEMO amended the Exchange Agreement (EA) to enable restricted trading between related entities on the Gas Supply Hub (GSH). The new provisions (see chapter 6.6 of the EA) allow related entities to apply to AEMO to restrict trading between themselves and outline the eligibility requirements for a trading restriction. The clauses also cover the process that trading participants and AEMO must follow in submitting and assessing applications. Following receipt of an application and if AEMO is satisfied that the related entities are eligible, AEMO will restrict trading between the trading participants on the electronic trading system preventing the execution of any trades between the eligible entities.

Shell's proposed amendment

On 15 October 2021, AEMO received a request from Shell Energy Australia (Shell) to amend the Exchange Agreement. Shell's proposal has been published on alongside this IIR on the AEMO website.

Shell's proposed amendment seeks to clarify the restricted trading provisions in the Exchange Agreement by introducing new clauses that allow a trading participant who is subject to a restricted trading arrangement to request that the restriction be cancelled.

Shell is requesting that the EA be amended to:

- Outline the steps that are required by participants to cancel the restricted trading arrangement.
- Outline the process and timings AEMO will follow on receipt of a request to cancel a restriction.
- Allow one-sided cancellation of a restricted trading arrangement i.e. only one of the parties to a restriction needs to request cancellation and agreement from both parties does not need to be sought.

Shell has requested that AEMO make these amendments using the expedited consultation process outlined in clause 3.4 of the Exchange Agreement. In Shell's view the changes are minor and administrative in nature and are required as a result of an oversight in the original drafting.

Shell considers that the changes will clarify the restricted trading provisions in the Exchange Agreement. Shell notes that without the ability to cancel a restricted trading arrangement, participants may be discouraged from opting into their use and that this could ultimately undermine participation at the GSH. Shell also considers that there should be no material costs associated with this proposed change.

AEMO's view

AEMO recognises that the current drafting of restricted trading provisions in 6.6 of the EA do not explicitly contemplate cancellation of the trading restriction by a trading participant. Although a restriction could in theory lapse if the related parties no longer provide their agreement this is not directly called out in the EA. Therefore AEMO considers the proposed amendment would address this ambiguity in the EA and provide participants with greater confidence in the arrangements if they opt to restrict trade with a related trading participant.

AEMO also agrees with Shell's proposal that cancellation can be initiated by one of the parties to a restriction given that both parties to the restriction need to be related and provide agreement to the restriction when it is created. In addition, as the proposed change does not seek to change the substance



of the restricted trading clauses in the EA and is primarily intended to clarify the existing arrangements that were previously consulted on, AEMO agrees that the change is administrative in nature and that consultation can be expedited under 3.4 of the EA.

2. REFERENCE DOCUMENTATION

See *Attachment A: Proposed EA changes*

3. OVERVIEW OF CHANGES

To give effect to the proposed change the following amendments will need to be made to the EA:

- A new clause that allows a trading participant who is subject to restricted trading to request that AEMO cancel the restriction. Any party subject to restricted trading will be eligible to request its cancellation.
- A new clause requiring the Operator (AEMO), to consider a request to cancel restricted trading within 10 Business days of receipt of that request.
- A new clause that requires the Operator to remove restricted trading once it accepts a request.

No system changes are required.

4. LIKELY IMPLEMENTATION EFFECTS AND REQUIREMENTS

AEMO considers that there are no implementation effects for industry that will result from the proposed changes. The implementation of the proposed changes does not require any data interface changes by AEMO or Gas Supply Hub members.

5. OVERALL COST AND BENEFITS

AEMO expects no implementation costs and no increase to ongoing GSH costs from these changes. The benefit of the proposed changes is that they will clarify the intent of existing provisions in the Exchange Agreement giving participants providing participants with greater confidence in the GSH trading arrangements.

6. MAGNITUDE OF THE CHANGES

AEMO considers these changes are of a minor magnitude. The proposed changes are not material changes to the Exchange Agreement and there are no changes to market systems. AEMO considers that impact on industry participants is not material.

7. AEMO'S PRELIMINARY ASSESSMENT OF THE PROPOSAL'S COMPLIANCE WITH SECTION 135EB:

In accordance with NGR rule 540 and clause 3 of the Exchange Agreement, AEMO is satisfied that the proposed changes will contribute to the National Gas Objective as they:

- Improve the transparency and accuracy of the Exchange Agreement.
- Are not costly to implement.

8. CONSULTATION FORUM OUTCOMES

AEMO and GSH members discussed the proposal for a restriction of trade mechanism at the December 2020 meeting of the Gas Supply Hub Reference Group. Following the forum, AEMO formally consulted on



the required EA changes in March 2021 and changes to the EA were made in May 2021. GSHRG members were generally supportive of the change.

IMPACT & IMPLEMENTATION REPORT – RECOMMENDATION(S)

9. SHOULD THE PROPOSED PROCEDURES BE MADE?

AEMO recommends that the proposed amendments to the Gas Supply Hub Exchange Agreement are made.

10. PROPOSED TIMELINES

In accordance with the expedited consultation process outlined in the Exchange Agreement, if the changes proceed, AEMO is proposing an implementation date of 16 November 2021.



ATTACHMENT A – PROPOSED EA CHANGES

Blue represents additions ~~Red~~ and ~~strikeout~~ represents deletions – Marked up changes.

New proposed clauses for section 6.6 – Restricted Trading

(o) A Trading Participant that is subject to restricted trading with another Trading Participant may at any time submit a request to the Operator to remove restricted trading with the other Trading Participant. A request to remove restricted trading must be in in the form and contain the information specified by the Operator.

(p) The Operator must accept the request to remove restricted trading within 10 business days of receiving a request.

(q) When the Operator accepts a request to remove restricted trading, then the Operator must cease the restricted trading in the Trading System between the Trading Participants identified in the request. The Operator must notify each of the Trading Participants once the restricted trading functionality has been removed.