

# IMPACT & IMPLEMENTATION REPORT (IIR) – 2020 DWGM ENHANCEMENTS - PROCEDURE UPDATE

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|---|--|---|--|
| <b>Impacted Jurisdiction(s)</b>                   | Victoria   |   |  |
| <b>Proponent</b>                                  | Luke Stevens   | <b>Company</b>  | AEMO   |
| <b>Affected Gas Market(s)</b>                     | DWGM   | <b>Consultation process<br/>(Ordinary or Expedited)</b>                   | Ordinary   |
| <b>Industry Consultative<br/>forum(s) used</b>    | GWCF   | <b>Date Industry<br/>Consultative forum(s)<br/>consultation concluded</b> | <a href="#">Wednesday, 28<br/>September 2022</a> |
| <b>Short Description of<br/>change(s)</b>         | Implementation of the 'DWGM simpler wholesale price' and 'DWGM improvement to AMDQ regime' rule changes (the '2020 DWGM enhancements') – Procedure Update      |   |  |
| <b>Procedure(s) or<br/>Documentation impacted</b> | Updates to: Gas Scheduling Procedures; Uplift Payment Procedures, Capacity Certificates Auction and Transfer Procedures  |   |  |
| <b>IIR Prepared By</b>                            | Luke Stevens   | <b>Approved By</b>  | Violette Mouchaileh                              |
| <b>Date IIR published</b>                         | 12 October 2022  | <b>Date Consultation under<br/>135EE or 135EF concludes</b>               | 1 December 2022                                  |
| <b>Email Address for<br/>Responses</b>            | <a href="mailto:Luke.stevens@aemo.com.au">Luke.stevens@aemo.com.au</a><br><a href="mailto:GWCF_Correspondence@aemo.com.au">GWCF_Correspondence@aemo.com.au</a> |   |  |



## IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

### CRITICAL EXAMINATION OF PROPOSAL

#### 1. DESCRIPTION OF ISSUE

AEMO has implemented the AEMC rule changes in respect of the:

1. DWGM simpler wholesale price<sup>1</sup>; and
2. DWGM improvement to AMDQ regime<sup>2</sup>.

This Procedure change is to reflect the outcome of the IT system build and implementation process for these enhancements.

#### 2. REFERENCE DOCUMENTATION

- Wholesale Market Gas Scheduling Procedures
- Wholesale Market Uplift Payment Procedures
- Wholesale Market Capacity Certificate Auction and Transfer Procedures

#### 3. OVERVIEW OF CHANGES

##### 3.1. Procedure Changes

The changes to the Procedures include:

##### 3.1.1. Wholesale Market Gas Scheduling Procedures

- The original Procedure change from the decision, published 6 May 2021, has been simplified to remove:
  - zonal scaling factors to be used to alter the tie breaking methodology; and
  - the process for adjusting capacity certificates.
- The original policy intent of the Procedure changes was to implement the Rule change to move from ADMQ to Capacity Certificates. The Procedure change also moved from a scheduling process that used the existing pro rata method for Credit Certificates adjustment to use the scaling method.
- The time when the scaling method would impact Market Participants in a material manner would be when tie breaking was required at \$0/GJ (i.e. nodal prices are zero) or when there is a significant facility constraint at the Longford production facility. Therefore AEMO reviewed the number of these events since 1 January 2018 to 29 August 2022:
  - There have been approximately 6 per cent of gas days (not schedules) that AEMO has applied a facility constraint at Longford.
  - There have been no gas days when AEMO has applied an NFTC that has resulted in a \$0/GJ nodal price.
    - Historically, a Net Flow Transportation Constraint applied on South West Pipeline flows due to Brooklyn Compressor Station works in January to March 2016 also

<sup>1</sup> <https://www.aemc.gov.au/rule-changes/dwgm-simpler-wholesale-price>

<sup>2</sup> <https://www.aemc.gov.au/rule-changes/dwgm-improvement-amdq-regime>



caused operating schedule nodal prices to reduce to \$0/GJ. When this occurred the move from pro rata method to the scaling method would have resulted in substantially different outcomes for market participants. The risk of this occurring in the future has been mitigated by:

- On 31 March 2020, a rule change required AEMO to alter the operation of Withdrawal Net Flow Transportation Constraints (NFTC) to apply them to the Pricing Schedule and Operating Schedule (as lost withdrawals represented lost opportunity to Market Participants). Injection NFTCs are applied only to the Operating Schedule. The result of this change is the nodal price is less likely to be reduced to zero if an NFTC is applied.
- In addition, APA is currently undertaking a project to build the Western Outer Ring Main that will connect the Longford to Melbourne Pipeline directly to the South West Pipeline. This will effectively reduce the likelihood of a transportation constraint (NFTC) on gas flows from Longford to the Iona Underground Storage being as severe.
  - This indicates the change from the pro rata method to the scaling method would have altered a limited number of gas day outcomes since 1 January 2018. Therefore AEMO does not consider this Procedure change to be critical to the implementation of the “Improvement to the AMDQ regime” rule change.
- AEMO notes the pro rata method, that exists in current market systems, still leads to compliant DWGM scheduling outcomes. The pro rata method, the outcomes of which are discussed in the AEMC rule change “Improvement to the AMDQ regime”, is consistent with the Rule change.
- At this time, AEMO will not be proceeding with the move from the pro rata method to the scaling method for Capacity Certificate adjustment. AEMO will be reverting the changes required to implement the scaling method from the Wholesale Market Gas Scheduling Procedures.

### **3.1.2. Wholesale Market Uplift Payment Procedures**

- Amendments to:
  - simplify DTS SP uplift payment quantity and add consequential new definition of SEA ancillary quantity.
  - removal of redundant sections for clarity and because residual demand forecast override no longer reported.
  - minor editorial amendments.

### **3.1.3. Wholesale Market Capacity Certificate Auction and Transfer Procedures**

- Minor editorial update to clarify:
  - the process to setup authorised users.
  - DWGM SWNs are sent under the Wholesale Market Electronic Communication procedures.
  - that GST is applicable in invoices to successful Capacity Certificate Auction bidders.

## **4. LIKELY IMPLEMENTATION EFFECTS AND TESTING REQUIREMENTS**

Updates to market systems:



- There will be no change to tie breaking processes, outside of replacing AMDQ and AMDQ Credit Certificates with Capacity Certificates.
- Update to the quantity calculation for DTSSP Uplift.

Transitional and Market Readiness activities for Go Live on 1 January 2023 are:

- Market participant training were held on 23, 24 and 25 May 2022. Completed.
- Market trial of auction systems – 30 May to 24 June 2022 plus 18 July to 22 July 2022. Completed.
- Market readiness activities – ongoing.
- Two transitional auctions for Capacity Certificates:
  - The first transitional auction has been successfully completed.
  - The second transitional auction is currently scheduled to start on 24 October 2022.
- The first regular auction is scheduled to start on 16 November 2022.
- Cutover planning – will be communicated via ServiceNow change notice.
- End all AMDQ at end of gas day 31 December 2022.

## 5. OVERALL COST AND BENEFITS

The AEMC has assessed the cost/benefit of the rule changes against the NGO (see footnote 3). It is AEMO's view that this IIR implements those rules in a way that delivers the greatest benefit. These changes represent a major rework of the DWGM functional design and AEMO's systems.

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

The set of changes described in this document are required for AEMO's procedures to maintain consistency with the NGR and to implement the 2020 DWGM enhancements. AEMO considers that the NGO is met for the reasons set forth in section 2.4 of the AEMC's rule determinations<sup>3</sup>.

## 7. CONSULTATION FORUM OUTCOMES

AEMO issued a proposed procedure change by email to the Gas Wholesale Consultative Forum on 5 September 2022.

The only comment received in response to the PPC was the Wholesale Market Uplift Procedures definition for "common uplift" needed to be amended. The amended definition referenced the relevant section of the Procedure and the description in Section 2.2.

AEMO also added the other uplift payment categories as defined terms, specifically "DTS SP uplift", "DTS SP annual liability cap exceedance uplift" and "DTS SP event liability cap exceedance uplift". The new defined terms, as per surprise uplift and common uplift, references the relevant section of the Procedure and the description from Section 2.2.

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<sup>3</sup> [https://www.aemc.gov.au/sites/default/files/documents/final\\_determination\\_-\\_dwgm\\_simpler\\_wholesale\\_price\\_-\\_final\\_for\\_publication.pdf](https://www.aemc.gov.au/sites/default/files/documents/final_determination_-_dwgm_simpler_wholesale_price_-_final_for_publication.pdf) and [https://www.aemc.gov.au/sites/default/files/documents/grc0051\\_improvement\\_to\\_amdq\\_regime\\_final\\_determination\\_12\\_march\\_2020\\_final.pdf](https://www.aemc.gov.au/sites/default/files/documents/grc0051_improvement_to_amdq_regime_final_determination_12_march_2020_final.pdf)



## IMPACT & IMPLEMENTATION REPORT – RECOMMENDATION(S)

### 8. SHOULD THE PROPOSED PROCEDURES BE MADE?

AEMO recommends that the Procedures should be amended as set out in the draft Procedures published with this IIR.

### 9. PROPOSED TIMELINES\*

Consultation dates have been adjusted due to the additional public holiday on 22 September 2022:

- PPC published: 5 September 2022
- PPC consultation submissions due: 28 September 2022
- IIR expected publication date: 12 October 2022
- IIR consultation submissions due: 10 November 2022
- Decision published: 1 December 2022
- Effective Date of Procedures: 1 January 2023