

IMPACT & IMPLEMENTATION REPORT (IIR) – LNG RESERVE PROCEDURE

Impacted Jurisdiction(s)	Victoria	Company	AEMO
Proponent	Luke Stevens	Consultation process (Ordinary or Expedited)	Expedited
Affected Gas Market(s)	DWGM	Date Industry Consultative forum(s) consultation concluded	Thursday, 1 June 2023
Industry Consultative forum(s) used	GWCF		
Short Description of change(s)	AEMO is implementing this Procedure change to amend the LNG stock transfer process. AEMO considers that the process, as currently drafted, provides a relatively limited timeframe for market participants to accept an LNG stock offer and for AEMO to receive payment.		
Procedure(s) or Documentation impacted	Updates to: Wholesale Market LNG Reserve Procedure		
IIR Prepared By	Luke Stevens	Approved By	Violette Mouchaileh
Date IIR published	1 June 2023	Date Consultation under 135EE or 135EF concludes	7 July 2023
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IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

1. DESCRIPTION OF ISSUE

AEMO is implementing this Procedure change to amend the LNG stock transfer process. AEMO considers that the process, as currently drafted, provides a relatively limited timeframe for market participants to accept an LNG stock offer and for AEMO to receive payment. The intent of the process was to allow sufficient time for Market Participants to purchase the LNG stock instead of AEMO injecting the LNG stock into the market.

To ensure Market Participants have sufficient time to purchase LNG stock, AEMO considers that amending the Procedure is urgently required to ensure the efficient and orderly operation of the regulated gas market.

2. REFERENCE DOCUMENTATION

- Wholesale Market LNG Reserve Procedures

3. OVERVIEW OF CHANGES

3.1. Procedure Changes

AEMO has made the following changes to the Wholesale Market LNG Reserve Procedures:

- An LNG stock offer will be made to all market participant on business day D+1.
- All Market Participant have until 12 PM AEST on business day D+5 to accept the LNG stock offer. AEMO will accept offers on a first come first served basis.
- The Buyer of the LNG stock has until D+10 at 12pm for AEMO to receipt the payment for the LNG stock.
- AEMO will authorise the LNG storage provider to transfer the LNG stock after payment is received.

This change in the Procedure provides more time for the Market Participants that accept the LNG stock offer to pay AEMO. AEMO notes payment is to be done via Electronic Funds Transfer (ie bank transfer that may take at least 1 business day) and will not be processed through market systems (ie via Austraclear transfer (which occurs immediately)). Therefore the time for AEMO to create invoices and for Market Participants to complete payment needed to be accounted in the process timeline.

The increased time for all Market Participants to seek to purchase the LNG stock is provided by removing the purchaser of LNG capacity having the first right to purchase LNG stock for the first 5 business days. AEMO expects that the LNG capacity purchaser would still have a first mover advantage of knowing AEMO would undertake an LNG stock offer before other parties.

Therefore, the LNG capacity purchaser would still have an advantage that may lead to them purchasing the LNG stock if the LNG stock offer was at an appropriate price noting AEMO will sell the stock on a first come first served basis.

4. OVERALL COST AND BENEFITS

The Procedure changes described in section 3.2 are required to ensure Market Participant have sufficient time to consider an LNG stock offer, obtain the necessary approvals and deposit payment to AEMO before the expiration of the Procedure required LNG stock offer period.



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

AEMO considers an LNG stock transfer is preferable to AEMO injecting LNG stock in the market. Therefore the proposed changes that better facilitate an LNG stock transfer ensure the Procedure change will promote the efficient operation and use of LNG stock for the long term interests of consumers of natural gas with respect to price, reliability and security of supply of gas.

6. EXPEDITED PROCEDURE CHANGE

AEMO considers that amending the Procedures is urgently required to ensure Market Participants have sufficient time to purchase LNG stock, in the event AEMO is required to sell LNG stock after relinquishing LNG capacity, rather than injecting LNG stock into the market.

AEMO considers that amending the Procedure is urgently required to ensure the efficient and orderly operation of the regulated gas market, in the event of being required to sell LNG stock.

IMPACT & IMPLEMENTATION REPORT – RECOMMENDATION(S)

7. SHOULD THE PROPOSED PROCEDURES BE MADE?

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

8. CONSULTATION TIMELINES

- IIR publication date: 1 June 2023
- IIR consultation submissions due: 30 June 2023
- Notice of Decision published: 7 July 2023
- Effective Date of Procedures: 28 July 2023