

East Coast Gas System Guidelines

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1. Introduction

1.1. Purpose and scope

These are the East Coast Gas System Guidelines (**Guidelines**) made under section 91AD(3) of the National Gas Law (**NGL**) and rule 692(6) of the National Gas Rules (**NGR** or **Rules**).

These Guidelines have effect only for the purposes set out in the NGL and NGR. The NGL, NGR and East Coast Gas System Procedures (**ECGS Procedures**) prevail over these Guidelines to the extent of any inconsistency.

The Guidelines are made up of the following Guidelines:

- (a) Gas Reliability and Supply Adequacy Conference Guidelines
- (b) Directions Guidelines
- (c) Trading Guidelines.

1.2. Definitions and interpretation

1.2.1. Glossary

Terms defined in the NGL, the NGR and the ECGS Procedures have the same meanings in these Guidelines unless otherwise specified in this clause.

Terms defined in the NGL, the NGR of the ECGS Procedures are intended to be identified in these Guidelines by italicising them, but failure to italicise a defined term does not affect its meaning.

In addition, the words, phrases and abbreviations in the table below have the meanings set out opposite them when used in these Guidelines.

Table 1 Defined terms

Term	Definition
conference	A conference convened by AEMO under Part 27 of the NGR.
DWGM	Declared Wholesale Gas Market as defined by Part 19 of the National Gas Rules.
NGERAC	The National Gas Emergency Response Advisory Committee (NGERAC) is a planning and coordinating forum made up of government representatives.
short notice	Notice of less than 24 hours.
STTM	Short Term Trading Market as defined by Part 20 of the National Gas Rules
trading	To trade in natural gas or to purchase pipeline services or services provided by a compression service provider or a storage provider.

1.2.2. Interpretation

The following principles of interpretation apply to these Guidelines unless otherwise expressly indicated:

- (a) These Guidelines are subject to the principles of interpretation set out in Schedule 2 of the National Gas Law.
- (b) References to time are references to Australian Eastern Standard Time.

1.3. Related documents

The following documents support these Guidelines.

Table 2 Reference documents

Reference	Title	Location
East Coast Gas System Procedures	East Coast Gas System Procedures	AEMO website
AEMO competition law meeting protocol	AEMO competition law meeting protocol	AEMO website
STTM Procedures	STTM Procedures	AEMO website
Gas Scheduling Procedures	Wholesale Market Gas Scheduling Procedures	AEMO website

2. Overview of east coast gas system process

2.1. Process overview

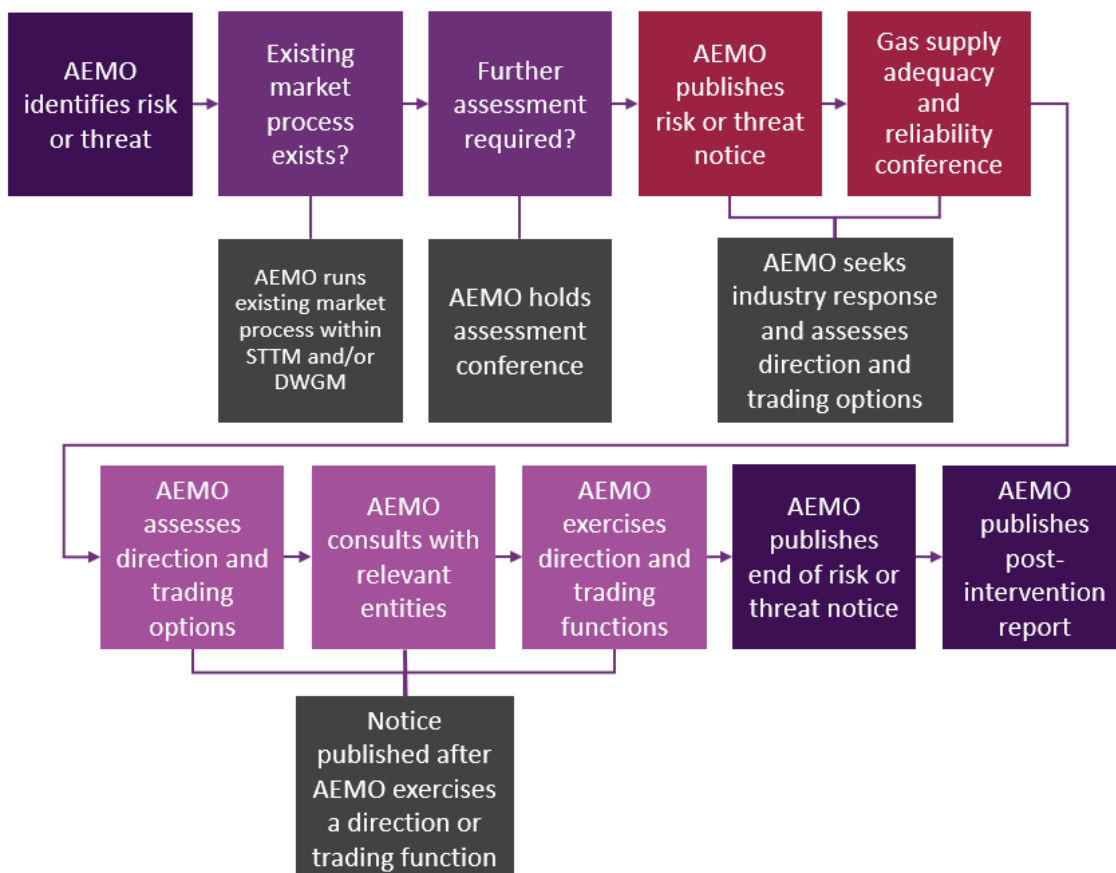
In accordance with the NGL and NGR, AEMO’s functions in relation to the *east coast gas system* include monitoring trends in supply and demand for natural gas and factors that may affect the reliability and adequacy of supply.

AEMO has the function to identify and communicate actual or potential risks or threats to the reliability or adequacy of the supply of natural gas within the *east coast gas system*, including by convening *conferences* with industry participants and others to assess threats to reliability and adequacy of supply and signal the need for an industry response and obtain information on the threat.

The typical process flow for monitoring, assessment and *conferences* relating to actual or potential risks or threats to the reliability or adequacy of the supply of natural gas within the *east coast gas system* is outlined in the following figure. AEMO may vary the process as required.

Figure 1 East coast gas system high level process

High level process AEMO intends to follow, noting the order of the steps may change/repeat depending on the nature of the risk or threat, or where AEMO assesses that a risk or threat no longer meets the criteria set out in the Procedures.



The conference process involves the processes detailed in section 3 of this Guideline.

The direction process involves the processes detailed in section 4 of this Guideline.

The trading process involves the processes detailed in section 5 of this Guideline.

2.2. Identification of an actual or potential risk or threat

AEMO's monitoring and assessment will primarily rely on information provided under Part 18 and Part 27 of the Rules.

However, it is anticipated that *relevant entities* from the gas industry, in the performance of their activities and operation of their facilities, will become aware of events or circumstances relating to their facilities including equipment failures that affect, will affect or may affect the reliability of gas supply within the *east coast gas system* prior to AEMO.

Relevant entities must notify AEMO of these events and circumstances in accordance with the NGR.

2.3. Responses to an identified risk or threat

In general, subject to the extent AEMO considers appropriate given the nature, timing or circumstances of the *identified risk or threat*, AEMO will respond to an *identified risk or threat* in the following way:

- (a) AEMO will notify *relevant entities* of an *identified risk or threat* by publishing a *risk or threat notice* and will allow a reasonable time for an industry response to resolve the issue, including:
 - (i) convening a *conference*;
 - (ii) requesting for a general response from *relevant entities*; and
 - (iii) requesting for a specific response in a limited timeframe from *relevant entities*.
- (b) Where the *identified risk or threat* has not been resolved by an industry response, AEMO will:
 - (i) continually monitor for industry response and reassess the need for AEMO intervention;
 - (ii) consult impacted *relevant entities* regarding *directions* that AEMO proposes to give to the *relevant entity*;
 - (iii) if considered necessary, give a *direction* to direct *relevant entities* to maintain and improve the reliability and adequacy of the supply of natural gas within the *east coast gas system*; and/or
 - (iv) if considered necessary, exercise its trading function.
- (c) In the event that the responses above do not sufficiently mitigate or resolve an *identified risk or threat*, AEMO will notify:
 - (i) National Gas Emergency Response Advisory Committee (NGERAC); and
 - (ii) *jurisdictional representatives*.

AEMO may not always respond to an *identified risk or threat* in the manner described above. In particular, depending on the nature, timing or circumstances of the *identified risk or threat*, AEMO may not always convene a *conference* and AEMO may need to issue *directions* or trade

in natural gas or gas services before issuing a *risk or threat notice* in relation to the *identified risk or threat* and before allowing time for industry to respond.

3. Gas reliability and supply adequacy conference guidelines

3.1. Purpose of conferences

AEMO may convene a *conference* to:

- (a) assess whether there is or is not an actual or potential threat, including the likelihood of the threat occurring;
- (b) obtain information on the nature and extent of an *identified risk or threat*;
- (c) signal the need for an industry response to an *identified risk or threat*.

3.2. Additional market process

In addition to AEMO's *east coast gas system reliability and supply adequacy functions*, AEMO has other functions for the identification and response to supply and security issues in parts of the *east coast gas system* including:

- (a) STTM contingency gas process that allows AEMO to publish an intraday schedule in response to a supply event that may develop into an *identified risk or threat*.
- (b) DWGM threat to system security process which allows AEMO to undertake a variety of actions in response to a threat in the DWGM that may develop into an *identified risk or threat*.

Where AEMO determines that alternative AEMO functions are sufficient to communicate issues to industry and achieve the required response to mitigate these supply and security issues, AEMO may not issue a *risk or threat notice* and may not convene a *conference*.

3.3. Scope of conferences

Conferences that AEMO may convene are:

- (a) assessment conferences that allow AEMO to consult with those *relevant entities* that AEMO considers can assist in the assessment of an *identified risk or threat* and associated proposed *directions* and options that may mitigate or resolve the *identified risk or threat*;
- (b) industry conferences that allow AEMO to inform *relevant entities* of the *identified risk or threat*, options to mitigate or resolve the *identified risk or threat* and the timing by which the *identified risk or threat* is required to be resolved.

3.4. Invitation to a conference

- (a) AEMO will publish a *conference notice*, providing the specifics of the *conference*, to each *relevant entity* that AEMO considers appropriate to attend the *conference*. This may include any organisation AEMO determines may contribute to the assessment of or

- response to the *identified risk or threat*, or that should be aware of the information that may be provided at the *conference*.
- (b) AEMO will schedule, facilitate and chair *conferences*.
 - (c) If necessary, more than one representative from an invited organisation may attend a *conference*, but where practicable, only one representative from the organisation should speak on behalf of the organisation.
 - (d) AEMO will, subject to the circumstances of an *identified risk or threat*, endeavour to:
 - (i) hold *conferences* within normal business hours; and
 - (ii) provide at least 1 hours' notice of a *conference*.
 - (e) There may be situations which require *conferences* to be held at *short notice* or outside of business hours and multiple *conferences* may be required within a day. In such circumstances, AEMO will request entities to confirm receipt of the *conference notice*. AEMO will also use best endeavours to ensure the *conference notice* has been received by the *relevant entity*.
 - (f) AEMO may at any time determine that an *identified risk or threat* is no longer likely to occur or has been resolved and may cancel or conclude a *conference*. Without limitation, this may occur if:
 - (i) matters impacting on gas supply and demand conditions change; or
 - (ii) the *identified risk or threat* has been resolved by an industry response.
 - (g) If AEMO cancels a *conference* it will publish a notice to that effect as soon as practicable.
 - (h) AEMO may hold a *conference* in relation to an *identified risk or threat* after the *identified risk or threat* has been resolved.

3.5. Discussion at a conference

- (a) A *conference* is intended to provide a platform for the exchange of information about matters impacting on gas supply and demand conditions as it relates to an *identified risk or threat*, or a proposed exercise of AEMO's *direction or trading function* in response to that *identified risk or threat*.
- (b) *Relevant entities* invited to or required to attend a *conference* must arrange for their representatives to be briefed on competition law risk and be provided with the AEMO competition law meeting protocol as published on AEMO's website.
- (c) *Conferences* must include a sharing of information by AEMO with regards to the assessment of an *identified risk or threat*, and any identified response that would mitigate the *identified risk or threat*.
- (d) AEMO may invite specific *relevant entities* or classes of *relevant entities* to attend *conferences* such as:
 - (i) *pipeline operators* to provide up to date information applicable to the *identified risk or threat*, which may include pipeline deliverability, pipeline nominations and any additional and unutilised capacity; and
 - (ii) *production facility operators* and *storage providers* to provide timely information applicable to the *identified risk or threat*, which may include current deliveries,

available capacity and the capability to provide additional gas supplies by offtake location.

- (e) *Conferences* provide an opportunity for AEMO, *relevant entities*, *jurisdictional representatives* and the ACCC to seek information, provide feedback or give additional information, with regards to the *identified risk or threat*, and any issues related to AEMO's exercise of its *direction or trading function*.
- (f) Discussion at a *conference* may include whether there has been an industry response or whether an industry response is required.
- (g) Participants at a *conference* must be prepared to give a brief of the *identified risk or threat*, or specific elements of that *identified risk or threat*, as it applies to that participant when and as required during the *conference*.
- (h) Market sensitive information must not be disclosed at a *conference*.
- (i) A participant at a *conference* can indicate information that is market sensitive or confidential and AEMO must engage directly with the participant outside of the *conference* where AEMO deems it necessary to obtain further information.

4. Directions guidelines

4.1. Purpose of a direction

In accordance with the NGL and NGR, AEMO's *east coast gas system reliability and supply adequacy functions* authorise AEMO to give written *directions* to *relevant entities* for the following purposes:

- (a) to maintain and improve the reliability of the supply of natural gas within the *east coast gas system*;
- (b) to maintain and improve the adequacy of the supply of natural gas within the east coast gas system.

AEMO may only give a *direction* if AEMO is of the opinion that the giving of the *direction* is necessary to prevent, reduce or mitigate an actual or potential threat identified by AEMO.

Directions may relate to matters that affect reliability and adequacy of the supply within the *east coast gas system*, including *directions* relating to operation, maintenance or use of equipment.

Relevant entities are required to comply with *directions* given by AEMO to the extent to which compliance is consistent with a law of a *participating jurisdiction* applying to the person.

Directions are part of the broader framework established in the NGL and NGR to respond to risks or threats in the *east coast gas system*.

4.2. Directions apply to relevant entities

The persons to whom AEMO is authorised to give *directions* are described in the NGL and NGR as *relevant entities*. A *relevant entity* is defined in section 91AF(8) of the NGL as the following, excluding a *small customer*:

- (a) a Registered participant;
- (b) an exempted participant;
- (c) a producer who injects natural gas into the *east coast gas system*;
- (d) a person who buys or sells natural gas in the *east coast gas system*;
- (e) a gas powered generator;
- (f) a storage provider whose storage facility is connected to the *east coast gas system*;
- (g) a person who provides pipeline, transport, compression or other related services in, into or out of the *east coast gas system*;
- (h) a person specified as a *relevant entity* by the Rules.

AEMO is required under Part 27 of the NGR to keep and maintain a register of *relevant entities*. However, AEMO may give a *direction* to a *relevant entity* whether or not it has been included on the *Part 27 register*.

4.3. Giving of directions

In issuing a *direction*, AEMO will follow a standard communication process to ensure that *directions* are given in a timely manner and to make clear how a *direction* needs to be complied

with. It is key that the correct contact in a *relevant entity* receives any *directions*. As such, *directions* will be given to:

- (a) the relevant directed entity's contact as recorded in the *Part 27 register*, or
- (b) in the event there are no contact details for the relevant directed entity in the *Part 27 register*, AEMO may use contact details provided to it by other means, such as from a *facility operator* (for example, a shipper that is a *relevant entity* may not have its details recorded in the *Part 27 register*, and in order to give a *direction* AEMO may be provided this information from the facility operator).

AEMO will give a *direction* via email and/or phone call. Where a *direction* is initially provided verbally, written confirmation of the *direction* will be subsequently issued.

4.4. Principles AEMO may consider when giving directions

As required by the NGR, AEMO will consult with a *relevant entity* before giving a *direction* to the extent AEMO considers appropriate given the nature, timing or circumstances of giving a proposed *direction*.

AEMO will consult with a view to maximising the likelihood that actions undertaken in accordance with the *direction* will mitigate the *identified risk or threat*, including identifying in advance any issues or concerns the *relevant entity* may have with the terms of the proposed *direction* or its ability to comply with it.

When giving a *direction* AEMO will consider:

- the title holder to the natural gas that is subject to the *direction*;
- the impact on a *relevant entity's* ability to comply with its other obligations under the National Gas Rules; and
- minimising the potential magnitude of any curtailment.

The steps AEMO will typically follow prior to issuing a *direction* are shown in Figure 1:

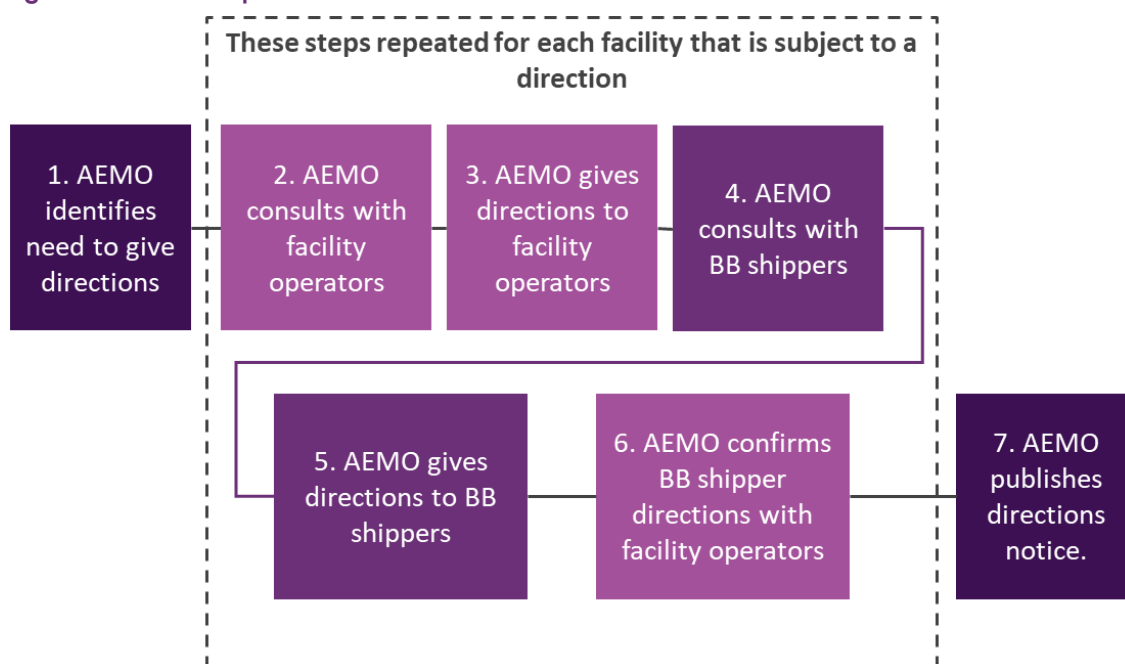
- AEMO consults with both the *facility operators* that are likely to be directly impacted by an *identified risk or threat*, and those *facility operators* that are likely to be given a primary *direction* (i.e., the *direction* with the intent of preventing, reducing or mitigating an *identified risk or threat*). This consultation is intended to assist AEMO's assessment:
 - of the *facility operator's* ability to respond to *directions*;
 - of the need for related *directions* to be given; and
 - by obtaining up-to-date information on *BB shipper* nominations and contact information.
- AEMO may give *directions* to *facility operators*. This may be a *direction* to increase or decrease the flow of gas, or to specify what changes to current nominations can be accepted, i.e., to ensure subsequent *directions* are not impacted.
- AEMO consults with *BB shippers* that are likely to be impacted by a *direction*.
- AEMO may give *directions* to *BB shippers*. A *direction* to a *BB shipper* could be a combination of:
 - maintaining existing facility nominations;
 - increasing/decreasing existing facility nominations; and

- *directions* relating to nominations across multiple *facilities*.
- AEMO consults with *facility operators* on the *directions* that have been issued to *BB shippers* and updates *directions* given to *facility operators*.

AEMO will repeat the steps in Figure 2 where there is a requirement to give related *directions* to achieve the intended outcome of a *direction*, including:

- issuing *directions* to both the *facility operator* and *BB shippers* to ensure their activities are aligned;
- further consulting with *facility operators* and *shippers* to obtain further information where the intended outcome of a *direction* may not be achieved; and
- issuing *directions* to *facility operators*, and other *relevant entities*, that are directly or indirectly connected to the *facility*, which may be through a contractual right, that is subject to a primary *direction*. These related *directions* are for situations such as:
 - where gas is required to be directed across multiple *facilities* to mitigate an *identified risk or threat*,
 - where a connected *facility* may be required to maintain its current gas flows so as not to negatively impact on the primary *direction*.

Figure 2 Directions process



The NGR limits AEMO’s ability to give a *direction* in relation to natural gas that is required to meet a *relevant entity*’s obligations under certain long term LNG export contracts. As AEMO may not always be aware of the existence of these obligations and how they relate to natural gas that a *relevant entity* owns or controls including the transport of that gas, AEMO may include in a *direction*:

- a statement that the *direction* does not apply in relation to any gas that is owned or controlled by a *relevant entity* that exports gas as LNG unless the gas is not long-term

contract gas within the meaning of guidelines made under regulation 13GF of the *Customs (Prohibited Exports) Regulations 1958* of the Commonwealth; and

- a requirement for the *relevant entity*, to the extent that it is aware, to notify AEMO immediately if it considers that any natural gas that might otherwise be subject to the *direction* falls within this exclusion.

5. Trading guidelines

5.1. Purpose of AEMO's trading function

In accordance with the NGL and NGR, AEMO's *trading function* provides AEMO with the ability to trade in natural gas and to purchase related gas services to maintain and improve the reliability or adequacy of the supply of natural gas within the *east coast gas system*.

The *trading function* can only be exercised where AEMO is of the opinion that the trade or purchase is necessary to prevent, reduce or mitigate an *identified risk or threat*. Typically, this may occur where an industry response does not occur, is not adequate or is not feasible. The *trading function* may also be exercised where the use of a *direction* is not appropriate or practical to resolve an *identified risk or threat*.

5.2. How AEMO may exercise its trading function

The regulatory framework provides AEMO with a broad scope to enter into different types of transactions for the purpose of exercising the *trading function*. These include:

- **Purchases or sales:** AEMO directly purchasing or selling natural gas or gas services (including pipeline, storage and compression services) on a bilateral basis.
- **Market Trading:** AEMO trading directly in the *regulated gas markets*.
- **Procuring services from industry:** AEMO paying an industry participant (or participants) to provide a service to the *east coast gas system*, e.g., supplying additional gas into a certain network.

AEMO may exercise the *trading function* for any period it considers necessary to prevent, reduce or mitigate an *identified risk or threat* and may enter into multiple transactions for the same *identified risk or threat*. The costs of any trading activity are to be funded from the *trading fund*, which is a Rules fund administered by AEMO for this purpose. The *trading fund* enables AEMO to undertake transactions up to the *adjusted trading amount* each year, being \$35 million escalated by CPI from 30 June 2022.

5.3. Principles AEMO will consider when performing its trading function

In exercising its *trading function* and determining which method of exercising the function should be used, AEMO will have regard to the following principles to the extent that it is practicable or desirable:

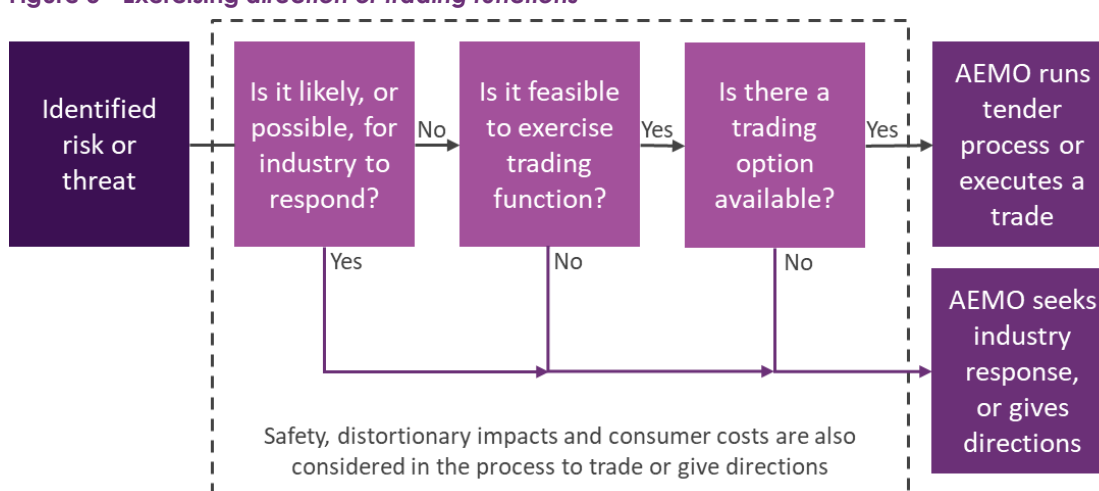
- AEMO will generally prefer to procure services from industry rather than to undertake purchases or sales of gas or gas services or to engage in market trading if a threat can be addressed by procuring a service. This is referred to as the preferred method of trading.
- In determining which trading method to use, AEMO will consider which option is most likely to minimise distortion to the *regulated gas markets* and have regard to the National Gas Objective.
- Where AEMO exercises its *trading function*, it will attempt to minimise the cost (or maximise the revenue) to the *trading fund* as appropriate.
- AEMO will consider whether the gas or service AEMO is seeking to trade or procure is likely to be provided by market participants without AEMO intervening.

- Where AEMO exercises its *trading function*, this will be done on a competitive and transparent basis. When procuring services from industry, industry participants capable of providing the requested service will be invited to provide AEMO with offers.
- Where AEMO buys or sells gas in a market (market trading), it will attempt to minimise market distortion, and limit its activity in the market.

5.4. Overview of AEMO’s trading process

AEMO’s *trading function* will fit into the broader framework for identifying, assessing, communicating and addressing *identified risks or threats*. The following diagram provides an overview of the steps AEMO will take (where time permits) to determine whether exercising its *trading function* is the preferred response to an *identified risk or threat*.

Figure 3 Exercising *direction or trading functions*



5.5. Information AEMO may take into account when deciding to exercise its trading function

In deciding whether to exercise its *trading function* in preference to giving a *direction* in relation to an *identified risk or threat* AEMO may have regard to the following matters:

- The magnitude and duration of the risk or threat.
- The likelihood of an industry response that would be similar in outcome to AEMO trading.
- The cost of the trading action and the impact on the *trading fund*.
- Any other directions, trades or interventions that are in effect or likely to come into effect.
- Any other threats or risks that AEMO has identified, including whether these threats may require AEMO to exercise its *trading function*.

5.6. AEMO’s trading notices

Under the NGR, AEMO is required to publish *trading notices* in accordance with the ECGS Procedures.

In addition to publishing the *trading notices* on AEMO’s website, notifications will be sent, via email and SMS, to each *relevant entity’s* primary and alternative contacts that have been included in the *Part 27 register*.

Part 27 sets out the requirements for what is to be included in a *trading notice*. A *trading notice* is intended to provide industry with transparency of any trading actions AEMO undertakes and may include information on:

- The type of trade such as trading in a market, purchasing or selling gas, or procuring a service from a *relevant entity*.
- The location of the trade.
- The total cost to the *trading fund*.
- The type of trade such as AEMO entering into a trade, or a previously agreed trade being used to address an *identified risk or threat*.

In accordance with the NGR, a *risk or threat notice* will be published before AEMO exercises its *trading function* unless AEMO considers that in the circumstances there is insufficient time to do so. In the event the *trading function* is exercised before the publication of a *risk or threat notice*, the *trading notice* will provide details about the relevant *identified risk or threat*.

5.7. Tendering for services from industry

Where AEMO considers that procuring a service from industry is the preferred method of exercising the *trading function* it will generally follow a request for quote/tender approach. This approach is intended to provide a transparent and competitive framework for industry participants to make offers for AEMO to consider.

In issuing a request AEMO will specify where relevant:

- the quantity of gas to be provided, which may be a variable volume;
- the gas day or period of gas days the gas is to be delivered; and
- the location(s) where gas is to be delivered.

Any *relevant entity* able to meet the terms of the request will be invited to participate.

AEMO may consider offers for non-firm gas and offers that partially provide the outcome sought.

5.7.1. Panel of suppliers

From time to time, AEMO may establish a panel (or panels) of suppliers that are able to provide AEMO with services that may be used to respond to an *identified risk or threat*. A panel of suppliers is a means by which AEMO can undertake an expedited procurement process from approved suppliers using a pre-approved agreement for a specific service.

If AEMO establishes a panel:

- AEMO will issue an expression of interest to industry that will outline the service that AEMO may be seeking and the relevant terms and conditions that panel suppliers will need to meet.
- Relevant industry participants will be invited to respond to the expression of interest if they want to be on the panel.
- AEMO will consult with prospective panel members on the form of the pre-approved agreement.
- The expression of interest document and the panel pre-approved agreement will be published on AEMO's website.

- From time to time, AEMO will open the panel to new members.
- If AEMO considers a panel is no longer needed, it will be disbanded.
- Members of a panel will not be paid to be on the panel.
- AEMO will publish details of any agreements that it enters into, subject to commercial in confidence arrangements

5.8. Bilaterally purchasing or selling gas or services

AEMO may enter into bilateral contracts to purchase or sell gas (or services) with *relevant entities* to address an *identified risk or threat*. As per the trading principles in 5.3, AEMO bilaterally purchasing or selling gas or services is not the preferred approach for exercising the *trading function*.

However, there may be circumstances where it is necessary due to the nature of the threat, or the type of response required, where tendering for services from industry is not possible. This trading method is different from procuring a service as described in 5.7 as AEMO would be buying, selling, transporting or storing gas in its own right in response to an *identified risk or threat*.

If AEMO opts to bilaterally trade, then it will to the extent practicable:

- Seek to enter into agreements on commercial terms that minimise the impact on the *trading fund*.
- Seek offers from all potential suppliers or purchasers for the same product or service where this is possible.
- Publish details of any agreements that it enters into subject to commercial in confidence arrangements.

5.9. Market trading

AEMO may directly trade in the STTM or DWGM to address an *identified risk or threat*. As per the trading principles in 5.3, trading in these markets is not the preferred approach for exercising the *trading function* however there may be circumstances where it is necessary. If AEMO considers that trading is necessary to address an *identified risk or threat*:

- AEMO will notify market participants as soon as is reasonably practicable that it intends to trade in the market and will notify market participants once its trading activity has ceased.
- AEMO will inform industry, where appropriate, on the manner of its trades including:
 - information on how AEMO will bid or offer gas, e.g., prices and quantity;
 - the timing of any bids or offers where this is known.

To the extent practical, AEMO will trade using existing market processes, e.g., bidding and scheduling.