

13 November 2013

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Dear John,

Rule Change Request – AMDQ Allocation

AEMO requests that the Australian Energy Market Commission (AEMC) amends the National Gas Rules (NGR) to address gaps and inconsistencies in the allocation of authorised MDQ and AMDQ credit certificates (CC).

The proposed changes clarify that expansions to the declared transmission system (DTS) will only result in the allocation of additional AMDQ CC, rather than authorised MDQ.

A description, draft proposed Rule, and a statement of how the proposed Rule contributes to the achievement of the National Gas Objective (NGO) is provided at Attachment A.

AEMO would be please if you could have these matters considered by the AEMC. For further details or to arrange a follow up presentation or discussion, please do not hesitate to contact Sandra McLaren, Acting Group Manager – Market Development, on (03) 9609 8355.

Yours sincerely



Mike Cleary
Chief Operating Officer

cc:

Attachments:

A: Rule Change Proposal

Attachment A: Rule Change Proposal – AMDQ Allocation

This Rule Change Proposal is structured as follows:

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1 Summary

AEMO is proposing that Part 19 of the National Gas Rules be modified to address gaps and inconsistencies in the allocation of authorised MDQ and AMDQ credit certificates (AMDQ CC) identified by APA Group, the Declared Transmission System Service Provider (DTS SP).

The specific issues identified are:

- Complex structure of rules hinders interpretation
- No basis for deciding the type of any new capacity
- Despite complexity of the rules, the allocation of capacity is determined by the capacity type

The proposed rule changes will simplify the rule structure, ensure that expansions to the declared transmission system (DTS) will only result in the allocation of additional AMDQ CC by the DTS SP, and ensure that AEMO will only allocate any relinquished authorised MDQ.

2 Relevant Background

2.1 Authorised MDQ and AMDQ Credit Certificates

Transportation rights in the Victorian DWGM come in the form of authorised MDQ or AMDQ CC (collectively known as AMDQ), which afford the holder with certain market rights or benefits, including scheduling priority when bids or offers are tied, and some protection from uplift charges.

Authorised MDQ relates to injections at Longford into the Longford to Melbourne pipeline. Authorised AMDQ was allocated prior to the commencement of the Victorian wholesale gas market in 1999, reflecting the Longford-Melbourne pipeline capacity of 990TJ. Large industrial and commercial (tariff D) sites with consumption greater than 10TJ pa at that time were individually allocated authorised MDQ to match their maximum daily quantity under pre-existing supply arrangements with the Gas and Fuel Corporation. The authorised MDQ held by each tariff D customer confers the associated rights and benefits to the Market Participant (MP) who is financially responsible for that customer's gas usage in the DWGM.

The 637 TJ balance of the Longford – Melbourne pipeline capacity, after tariff D allocations, was allocated as a block to all small commercial and residential customers (tariff V). MPs supplying tariff V customers are allocated a share of the tariff V block authorised MDQ on a daily basis, proportionately to their aggregated tariff V customer gas withdrawals.

The declared transmission system (DTS) has been extended since market start. The transportation rights to new pipeline capacity have been made available to MPs as AMDQ CC, and are allocated by the DTS SP based on bilaterally negotiated contractual arrangements. AMDQ CC are associated with a particular injection point and MPs nominate a quantity of the AMDQ CC to

specific customer sites, or the nominal reference hub, where, if supported by gas injections at the relevant injection point, they become AMDQ credits and provide similar market benefits to authorised AMDQ.

See appendix C for more details of the types of AMDQ in the DWGM.

2.2 Benefits of transportation rights

AMDQ provide the following physical and financial benefits:

- Uplift hedge (UH) protection. MPs with AMDQ can create a financial hedge against congestion uplift provided that they inject sufficient gas at the relevant CPP. Congestion uplift payments result from the need to inject out of merit order gas at higher prices, and are paid by those MPs whose consumption exceeds the AMIQ resulting from their AMDQ holdings.
- Injection tie-breaking rights (ITR). MPs with AMDQ create a physical hedge by being scheduled ahead of those without AMDQ when there are tied injection bids. This is particularly critical when the system is congested or supply is limited (e.g. during maintenance), and most MPs try to get as much gas injected into the system as possible by bidding their gas at \$0/GJ. Tie-breaking rights are a physical right as they allow gas to be injected.
- Withdrawal tie-breaking rights – physical hedge benefits as described for ITR.
- Limited physical protection against curtailment for tariff D sites. This means tariff D sites with no AMDQ must be curtailed ahead of those with AMDQ coverage in the first stages of a DTS emergency.

2.3 History of the current rule drafting

The current rules for dealing with the allocation of authorised MDQ and AMDQ CC were originally drafted as part of the Victorian Market and System Operation Rules (MSOR).

These rules were initially developed when the Victorian transmission system (VTS, now known as the DTS) had only one injection point (Longford), and authorised AMDQ was the only form of transportation right in the DWGM.

The MSOR were amended to include AMDQ CC for injections into the South West Pipeline (SWP) at Iona in 2001. The rules were drafted in a manner which included significant cross referencing and in the process gaps were left in the coverage especially for AMDQ Credit Certificates.

Redrafting of the MSOR for inclusion in the NGR was controlled by the Victorian government with little opportunity for input by industry. The rules that became Subdivision 3 were not amended

other than to remove some irrelevant historical clauses and to adjust the references and language to the NGR. There was one exception to this where an attempt to simplify the drafting resulted in the AER being given the right, in some circumstances, to determine capacity of an extension or expansion (rather than agreeing with the DTS SP as was the case in the MSOR).

3 Statement of Issues

3.1 Issues with current requirements

The following issues have been identified with subdivision 3 of Division 4 of Part 18 of the National Gas Rules:

- Complex structure of rules hinders interpretation
- No basis for deciding the type of any new capacity

Each is explained in more detail below.

3.1.1 Complex structure of rules

There is a drafting issue with the rules which was compounded but the redraft from the MSOR to the NGR. The current rules hinder ready interpretation with significant cross referencing and nesting of clauses, and with gaps in coverage. For example in rule 329(3) there is a proviso that if the AER has not determined a different amount of capacity, then rule 329(2) applies. However, 329(3) can apply to both AMDQ CC and authorised MDQ, whereas 329(2) applies only to authorised MDQ.

- This means that for capacity that has been agreed to be AMDQ CC, and where AER HAS NOT determined a different amount of capacity, rule 329(2) applies. However, rule 329(2) only applies to authorised MDQ. Therefore neither 329(2) nor 329(3)(a) apply – which means that 329(4) does apply, and the DTS SP allocates the AMDQ CC.
- This means that for capacity that has been agreed to be AMDQ CC, and where AER HAS determined a different amount of capacity, rule 329(3)(a) applies to one portion of the capacity – which means that rule 330 applies to the allocation by AEMO. However, rule 330 only applies to authorised MDQ so 329(3)(a) cannot apply – which means that 329(4) does apply, and the DTS SP allocates the AMDQ CC.

The need to move from rule to rule and rely on rules not applying creates an unnecessarily complex rule structure, and hinders ready interpretation.

3.1.2 No basis for deciding if capacity type is authorised MDQ or AMDQ CC

Rule 200 (Definitions) and rule 329 do not provide a basis for agreement if an expansion is authorised MDQ or AMDQ CC. This means it is up to AEMO and DTS SP to do so on any reasonable basis.

Given that there are no circumstances where AMDQ CC are not allocated by DTS SP, it is unlikely that they would agree to classify new capacity as anything other than AMDQ CC. To date, this has meant that all expansions have been classified as AMDQ CC as the LMP has not been touched. However, as expansions have so far been on pipelines other than the LMP the issue has not caused a problem. If there is an expansion to the LMP there is currently no basis to decide which capacity type it will be.

Despite the complexity of the rules, the allocation of new capacity is always determined by the same parties. Under rule 329, new capacity is allocated by AEMO if it is authorised MDQ or by the DTS SP if it is AMDQ CC. There is an exception to this if the new capacity is authorised MDQ, partly not added to the DTS SP capital base, and the AER has determined the amount of additional capacity – in which case the DTS SP allocates the authorised MDQ.

Once a decision has been made whether capacity is authorised MDQ or AMDQ CC there is no further impact as both instruments have essentially the same effect in the market. It is important for clarity to define what goes to authorised MDQ and what goes to AMDQ CC.

4 Proposed Solution

4.1 How the rule changes address the identified issues

4.1.1 Complex structure of rules

The amendments will make the Rules easier to understand by:

- Removing all references to the status of full or part inclusion in the capital base and AER determination of part capacities as they do not influence the allocation of AMDQ CC and hinder clear interpretation of the rules.
- Simplifying cross referencing between these rules.
- Remove redundant clauses

4.1.2 Basis for deciding if capacity type is authorised MDQ or AMDQ CC

The proposed rule changes clarify the basis for deciding capacity type by allowing the following:

- Although authorised MDQ and AMDQ CC fulfil identical roles in the market, the authorised MDQ will be restricted to the original tranche created at the start of the DWGM.
 - Any future capacity created by system augmentations will be created as AMDQ CC and allocated by DTS Service Provider (DTS SP).
- Making it specific that any future transportation rights made available in respect of pipeline extensions or expansions will be in the form of AMDQ CC.

4.1.3 Consequential rule changes

An additional consequential rule change was requested by industry to provide clarity and consistency in the process for responding to proposals for the allocation of AMDQ CC and authorised MDQ. This is achieved by inserting a clause so that the DTS SP must allow no less than 20 business days' for MPs to respond to proposals for the allocation of AMDQ CC. Additional wording should be added to rule 330(b) for AEMO to provide a similar notice period in regard to available authorised MDQ.

4.1.4 Concurrent rule change – Portfolio Rights Trading

AEMO currently has a concurrent rule change with the AEMC for PRT. This rule change proposes amendments to the definitions of AMDQ credit, Authorised Maximum Daily Quantity, and authorised MDQ. These associated changes do not affect this proposed rule change as there are no common rules affected.

The PRT rule change proposes to:

- Create a new rule 327A to clarify the rights and entitlements associated with AMDQ.
- Create a new rule 331A requiring AEMO to make portfolio rights trading procedures.
- Amend rule 240 to clarify AEMO must use the adjusted authorised MDQ or adjusted AMDQ credits when calculating a MPs exposure to uplift payments.

None of the proposed rule changes impact on other AMDQ processes (e.g. transfer, auction).

4.2 Consultation

APA GasNet first proposed amendments to the Rules to the GWCF in May 2012 and requested that industry stakeholders provide comment on the proposed rule changes. Full details of the comments are provided in paper 12-018-03 Proposed AMDQ Rule Changes (see Appendix B). The GWCF was generally supportive of the proposed changes but made the following observations:

- requested greater clarity around the AMDQ CC auction process especially around timing. GWCF agreed that a new clause be inserted (329(1A)) requiring AEMO to give 20 business days' notice of an auction of authorised MDQ. This is a consequential rule change.
- requested correction of rule 327 as there is no use of system agreement for the DTS. A consequential rule amendment has been drafted for rule 327 (1) and (3).
- Energy Australia (EA) raised issue with the proposed changes to rule 330. EA stated they believe there is a fundamental issue with regard to how additional transmission capacity is treated. If it is treated as Authorised MDQ then AEMO will have the role for allocating (auctioning) the additional capacity to MPs and the revenue from the auction will be used to offset AEMO's market fees. If it is treated as AMDQ CC then APA GasNet will be responsible for the auction process. Potentially, this may yield additional revenue to APA GasNet in addition to the regulated revenue determined in the access agreement. EA said that Longford based expansion of the asset base should be dealt with by AEMO through an AMDQ release.

APA GasNet's position was that expansions are dictated by a forecast of parties moving gas and suggested that even if the expansion is rolled in, the parties should get the benefit of the expansion. The problem with the rules as written is that if APA has a forecast that a party is shipping gas over a large portion of the pipeline then the expansion has to be dealt with as authorised MDQ and provided to all parties, even though one party's activities underlie the expansion. The effect of APA not receiving the AMDQ revenue from future expansions would make it more difficult to support expansions.

AEMO and APA met with EA to discuss their issues with the proposed rule change to 330. At the meeting, AEMO explained the basis for the proposed changes and resolved all outstanding issues for EA. AEMO made reference to the AEMC's previous finding on rebateable service definitions. The AEMC found that APA Gas Net were rebating back any access revenue gained from AMDQ CC via their annual update of their price control model and therefore were not retaining revenue in excess of its target regulated revenue.

AEMO consulted on the rule drafting with industry at the February 2013 GWCF meeting with the final drafting signed off by the GWCF at its June 2013 meeting. The drafting was revisited to take in to account stakeholder feedback on placing a requirement on APA GasNet to provide 20 business days' notice for MPs to respond to proposals for allocation of AMDQ CC. Upon review AEMO also drafted a clause to impose a similar requirement on AEMO to provide 20 business days' notice of an authorised MDQ auction for consistency.

5 Proposed Rule

5.1 Proposed rule change

The proposed rule seeks to address gaps and inconsistencies in the allocation of authorised MDQ and AMDQ credit certificates. The proposed rule aims to treat authorised MDQ and AMDQ CC as consistently as possible. It also removes any interface with Rule 79 and the determination of capacity included in capital base by the AER.

5.2 Complex structure of rules

The following rule amendments will address the complexity in the structure of the rules:

- Delete rules 329(2) and (3) as this rule change proposal will require that all expansions are treated as AMDQ CC and allocated by DTS SP.
- Amend rule 329(4) to remove references to deleted 329(2) and (3)
- Amend rule 329(5) for clarity – the term Close Proximity Injection Point (CPP) is a better description than system injection point (SIP) for AMDQ CC, as there can be multiple SIP at one CPP.
- Delete rule 329(6) as it is no longer required (rule 329 will only apply to new AMDQ CC, , and rule 329(6) refers to authorised MDQ that is allocated under rule 330).
- Delete 330(1) as this rule now applies only to the original authorised MDQ which is already fully allocated or reserved.

5.3 Basis for deciding if capacity type is authorised MDQ or AMDQ CC

The following rule amendments clarify the basis for deciding capacity type:

- Insert a new rule 328A that requires AEMO to prepare and publish an AMDQ CC register.
- Amend rule 329(1) to make it specific that any future transportation rights made available in respect of pipeline extensions or expansions will be in the form of AMDQ CC.
- Amend rule 329(5) to allow AEMO and DTS SP to agree any additional conditions.
- Amend rule 329(7) to reflect that pipeline extensions or expansions will only create AMDQ CC and not authorised MDQ.
- Amend rule 332(1) to reflect that it only applies to original authorised MDQ.
- Amend rule 332(2) to reflect that it only applies to AMDQ CC.

5.4 Consequential rule amendments

- Amend the definition for authorised MDQ to clarify that it relates to the capacity of the Longford injection point as of 15 March 1999.
- Amend rules 327(1) and (3) to replace the term “use of system agreement” with “agreement”. There is no use of system agreement in the DTS as any registered MP is free to participate in the market.
- Insert a new rule 329(1A) that requires APA to give a period of not less than 20 business days’ for MPs to respond to proposals for allocation of AMDQ CC.
- Amend rule 330(4)(b) to reflect AEMO must give 20 business days’ notice of an auction of authorised MDQ.
- Insert new sub rule 330(7) to clarify that AEMO must incorporate the proceeds of an authorised MDQ auction into AEMO’s annual budget to offset the cost of operating the DWGM. A similar rule was present in the MSOR (clause 5.3.4(g)) and removed in the transition to the NGR.

5.5 Draft of proposed rule

A draft of the proposed rule has been included in Appendix A:

6 How the Proposed Rule Contributes to the National Gas Objective

Before the AEMC can make the Rule change it must apply the rule making test set out in the National Gas Law (NGL), which requires it to assess whether the proposed Rule will or is likely to contribute to the National Gas Objective (NGO). Section 23 of the NGL states the NGO is:

... to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.

AEMO considers that the proposed rule is likely to contribute to the NGO for the following reasons:

6.1 Impact on efficient investment in the DTS

The proposed changes will promote efficient investment in the DTS by:

- Clarifying those expansions to the DTS will only result in additional AMDQ CC which is agreed with the DTS SP. This will provide clarity and may assist in investment decisions being made that help promote efficient investment in the DTS.

- Allowing 20 business days to respond to proposals for AMDQ allocation assists MPs to make informed investment decisions helping promote efficient investment in the DTS.

6.2 Operational improvements

Amending the drafting to increase the quality of the Rules, in terms of clarity, is likely to contribute to the achievement of the NGO, although the efficiency gains are minor. However, ensuring clarity of tasks and allocations between AEMO and APA is important for stakeholders as this impacts their commercial transactions.

7 Expected Benefits and Costs of the Proposed Rule

The proposed rule benefits all DWGM participants because it clarifies rule drafting that is currently hindering interpretation and addresses gaps in the rules. The proposed rule clarifies that any new pipeline or expansions will be allocated as AMDQ CC by the investor (DTS SP) and that the role of determining capacity should be jointly performed by the DTS SP and AEMO who have the technical expertise for such a role.

As the proposed rule seeks to clarify and reinforce existing practices, implementation of the rule would not impose any direct costs to DWGM participants.

As there is no change to the underlying instruments there will be no impact on the cost structures of MPs.

Appendix A: Draft Rule

This draft is based on version 18 of the National Gas Rules.

Part 19 Declared Wholesale Gas Market Rules

Division 1 Preliminary

200 Definitions

Authorised MDQ means in respect of a Customer, the maximum daily quantity of gas, expressed in GJ/day, which is authorised by AEMO to be withdrawn by or on behalf of that Customer from the declared transmission system, in accordance with an allocation under rule 328, ~~329~~ or 330, and which relates to the capacity of the system injection point at Longford as at 15 March 1999.

Subdivision 3 MDQ Authorisation

327 Agreement for provision of transportation services

- (1) Each Market Participant must ensure that it has in place a valid agreement ~~(a use-of system-agreement)~~ with the declared transmission system service provider that provides for the payment of transmission charges to the declared transmission system service provider.
- (2) AEMO is not liable to pay any such transmission charges.
- (3) An access determination may determine the terms of an ~~use-of-system~~ agreement including provision for the payment of transmission charges to the declared transmission system service provider and, if it does so, an ~~use-of-system~~ agreement under subrule (1) is taken to exist in the terms fixed by the access determination.

328 Allocation of existing authorised MDQ

- (1) AEMO must, on request, inform:
 - (a) each Retailer whose Customers are allocated authorised MDQ of the amount of authorised MDQ allocated to each of its Customers at tariff D withdrawal points;
 - (b) each Market Participant of the amount of authorised MDQ allocated in respect of withdrawals of gas at tariff V withdrawal points;
 - (c) each Market Customer who is allocated authorised MDQ at a tariff D withdrawal point of the amount of the authorised MDQ allocated to that Market Customer; and
 - (d) the declared transmission system service provider or a Retailer who is allocated authorised MDQ in respect of the withdrawal of gas at a system withdrawal point from the declared transmission system into an interconnected transmission pipeline of the amount of authorised MDQ allocated to it.

- (2) A Retailer who sells gas to Customers to whom authorised MDQ is allocated in respect of tariff D withdrawal points must notify each of those Customers of that Customer's authorised MDQ.
- (3) AEMO must advise a Customer of that Customer's authorised MDQ on request by that Customer.
- (4) Subject to subrules (1), (2) and (3), information relating to authorised MDQ, including the identity of the Customer or person to whom it has been allocated, is confidential information.
- (5) Subject to rule 331, if a Customer changes the Retailer from whom it purchases gas, the Customer's authorised MDQ (if any):
 - (a) remains assigned to that Customer; and
 - (b) is not varied,as a result of the change of Retailer.
- (6) AEMO must prepare and publish a register of:
 - (a) the total amount of authorised MDQ allocated;
 - (b) the aggregate amount of authorised MDQ allocated in respect of withdrawals of gas from tariff V withdrawal points; and
 - (c) the aggregate amount of authorised MDQ allocated to Customers in respect of withdrawals of gas from tariff D withdrawal points.

328A Publication of AMDQ credit certificates register

- (1) AEMO must prepare and publish a register of:
 - (a) the total amount of AMDQ credit certificates available for allocation at each close proximity injection point; and
 - (b) the aggregate amount of AMDQ credit certificates allocated at each close proximity injection point.

329 Allocations of ~~authorised MDQ and~~ AMDQ credit certificates for pipeline extensions or expansions

- (1) If the declared transmission system service provider extends or expands, or proposes to extend or expand, its pipeline or pipelines, it must consult with AEMO for the purposes of reaching agreement with AEMO as to the increase in capacity of the relevant pipeline which results from the extension or expansion, ~~which increase in capacity, if related to a close proximity injection point, will become available for allocation as AMDQ credit certificates, and if they are unable to agree, the provisions of Part 15C of the NGR will apply.~~

- (1A) The declared transmission system service provider must give a period of not less than 20 business days' for Market Participants to respond to proposals for allocation of AMDQ credit certificates determined under subrule (1).
- ~~(2) Where the declared transmission system service provider undertakes an extension or expansion and the cost of the extension or expansion is entirely added to the declared transmission system service provider's capital base on the basis that the criteria in rule 79 are met by the time the extension or expansion is commissioned, additional authorised MDQ which becomes available for allocation as a consequence of that extension or expansion is to be allocated in accordance with rule 330. [Deleted]~~
- ~~(3) Where the declared transmission system service provider undertakes an extension or expansion of the declared transmission system and a part only of the cost of the extension or expansion is added to the declared transmission system service provider's capital base on the basis that the criteria in rule 79 are met by the time the extension or expansion is commissioned, then:~~
- ~~(a) that portion of the additional authorised MDQ or AMDQ credit certificates made available as a consequence of the extension or expansion which is associated with that part is to be allocated in accordance with rule 330; and~~
- ~~(b) the remaining portion of the additional authorised MDQ or AMDQ credit certificates, as the case may be, must be allocated in accordance with subrule (4);~~
- ~~but this subrule only applies if the AER has determined the amount of additional capacity associated with that part of the cost of the extension or expansion, and if for that reason this subrule does not apply then subrule (2) applies. [Deleted]~~
- (4) Subject to subrule (5), ~~in any case where subrules (2) or (3)(a) do not apply,~~ AEMO must allocate ~~the quantity of additional authorised MDQ or~~ the quantity in the AMDQ credit certificates ~~(as the case may be)~~ made available by the relevant extension or expansion:
- (a) to such Market Participants; and
- (b) for use within such specified withdrawal zones or for use at ~~system~~close proximity injection points, as the case may be; and
- (c) for such period,
- as the declared transmission system service provider directs.
- (5) Where a quantity in AMDQ credit certificates is to be allocated to a Market Participant under subrule (4) in respect of injections of gas at a ~~system~~close proximity injection point, AEMO must only make such an allocation to the Market Participant:
- (a) where the Market Participant requests the allocation; and
- (b) subject to any conditions that AEMO reasonably determines and agrees with the declared transmission system service provider. ~~in accordance with the direction of the declared transmission system service provider;~~

~~and AEMO may specify conditions to apply to that allocation that AEMO reasonably determines and agrees with the declared transmission system service provider.~~

- ~~(6) Subrule (5) does not restrict AEMO's allocation of authorised MDQ or of the quantities in AMDQ credit certificates in a case to which rule 330 applies. [Deleted]~~
- (7) If ~~additional authorised MDQ or~~ AMDQ credit certificates have been allocated by AEMO under this rule 329 ~~as a consequence of an extension or expansion~~, AEMO and the declared transmission system service provider must by no later than the date ~~from~~ **on** which the ~~additional authorised MDQ or~~ AMDQ credit certificates are allocated, amend the service envelope agreement, to reflect that additional capacity of the relevant pipeline as agreed under subrule (1) which results from the extension or expansion ~~and if they are unable to agree, the provisions of section 91BE(4) of the NGL will apply.~~

330 Subsequent allocations and re-allocations of authorised MDQ

- ~~(1) Where AEMO and the declared transmission system service provider agree that the declared transmission system has available capacity in respect of which authorised MDQ has not previously been allocated or reserved, AEMO must allocate authorised MDQ up to that available capacity to any person who seeks an allocation of authorised MDQ in respect of a delivery point or system withdrawal point, in accordance with this rule. [Deleted]~~
- (2) If a tariff V withdrawal point becomes designated as a tariff D withdrawal point, then AEMO must allocate authorised MDQ to the Customer, who withdraws gas at that tariff D withdrawal point in a manner which, in AEMO's reasonable opinion, is fair and equitable, and AEMO must make a proportionate reduction to the total amount of authorised MDQ assigned to tariff V withdrawal points.
- (3) If a tariff D withdrawal point becomes designated as a tariff V withdrawal point, then AEMO must reallocate any authorised MDQ remaining allocated to that withdrawal point by making a proportionate increase to the total amount of authorised MDQ assigned to tariff V withdrawal points.
- (4) AEMO must allocate authorised MDQ **relinquished** under ~~subrule~~ **rule 332** (1) as follows:
- (a) if there is sufficient available authorised MDQ to satisfy the requirements of all persons who have requested an allocation of authorised MDQ, AEMO must allocate the available authorised MDQ to each of those persons in respect of a delivery point or system withdrawal point at which each of those persons withdraws or proposes to withdraw gas, in accordance with their requirements; and
 - (b) if there is insufficient available authorised MDQ to satisfy the requirements of all persons who have requested an allocation of authorised MDQ, AEMO must, **on not less than 20 business days' notice**, conduct an auction amongst all persons from whom AEMO has received requests for authorised MDQ and allocate the

available authorised MDQ to the persons who offer the highest amount for that authorised MDQ in accordance with the AMDQ auction procedures.

- (5) Allocation of authorised MDQ made in accordance with subrule (4) is effective only in respect of a delivery point or system withdrawal point at which the person applied to AEMO for the allocation of authorised MDQ.
- (6) AEMO must make Procedures (**AMDQ auction procedures**) pursuant to which it will allocate available authorised MDQ under subrule (4)(b).
- (7) AEMO must incorporate the proceeds of any auction of authorised MDQ under subrule (4) (b) into AEMO's annual budget to offset the costs of operating the declared wholesale gas market.

331 Transfer of authorised MDQ or AMDQ credit certificates

- (1) AEMO must make Procedures (**AMDQ transfer procedures**) for the transfer of authorised MDQ or AMDQ credit certificates between parties in accordance with this rule.
- (2) A person that has acquired authorised MDQ or AMDQ credit certificates in accordance with this Subdivision may transfer the whole or a part of that authorised MDQ or AMDQ credit certificates to another person in accordance with this rule and subject to the AMDQ transfer procedures.

332 Relinquishment of authorised MDQ or AMDQ credit certificates

- (1) ~~Subject to subrule (2), if~~ a person holds authorised MDQ ~~or AMDQ credit certificates~~ in accordance with this Part and ceases to be a Registered participant, or in the case of a Customer, is disconnected from the declared transmission system or a declared distribution system, that person's entitlement to the authorised MDQ ~~or AMDQ credit certificates~~ will revert to AEMO for reallocation to other persons in accordance with rule 330 unless that person transfers that authorised MDQ ~~or AMDQ credit certificates~~ in accordance with rule 331.
- (2) If a person: holds AMDQ credit certificates:
 - (a) allocated under rule 329 ~~to whom authorised MDQ or AMDQ credit has been allocated under rule 329~~; or
 - (b) originally allocated under rule 329 and ~~to whom authorised MDQ or AMDQ credit originally allocated under rule 329 has been~~ transferred in accordance with rule 331,

and ceases to be a Registered participant, ~~or in the case of a Customer, is disconnected from the declared transmission system or a declared distribution system~~, that person's entitlement to ~~the authorised MDQ or~~ AMDQ credit certificates will revert to the declared transmission system service provider for any remaining period of validity of the transfer unless that person transfers ~~that authorised MDQ or~~ those AMDQ credit certificates in accordance with rule 331.

Appendix B: Public Consultation

- GWCF 12-018-02 APA NGR AMDQ Review was presented at GWCF 171 on 22 May 2012. Both papers and minutes can be found at:
http://www.aemo.com.au/Gas/Resources/Working-Groups/Gas-Wholesale-Consultative-Forum/GWCF-Meeting-171_22-May-2012
- GWCF 12-018-03 Proposed AMDQ Rule Changes was presented at GWCF 172 on 19 June 2012. Both the paper and minutes can be found at:
http://www.aemo.com.au/Gas/Resources/Working-Groups/Gas-Wholesale-Consultative-Forum/GWCF-Meeting-172_19-June-2012
- GWCF 12-018-03 was resubmitted for agreement at GWCF 177 on 17 December 2012. Both the paper and minutes can be found at:
http://www.aemo.com.au/Gas/Resources/Working-Groups/Gas-Wholesale-Consultative-Forum/GWCF-Meeting-177_17-December-2012
- GWCF 13-018-01 Draft AMDQ Rule Changes v1 was presented at GWCF 178 on 12 February 2013 with comments requested by 22 February 2013. Both the paper and minutes can be found at:
http://www.aemo.com.au/Gas/Resources/Working-Groups/Gas-Wholesale-Consultative-Forum/GWCF-178_12-February-2013
- An updated version of 13-018-01 with updated rule drafting was presented at GWCF 180 on 11 June 2013. Both the paper and minutes can be found at:
<http://www.aemo.com.au/Gas/Resources/Working-Groups/Gas-Wholesale-Consultative-Forum/GWCF-Meeting-180-11-June-2013>

Appendix C: Authorised MDQ & AMDQ Credit Certificates

Authorised MDQ and AMDQ credit certificates

The DWGM operates under a 'Market Carriage' model, where transportation rights come in the form of authorised MDQ and AMDQ CC. These are collectively termed AMDQ.

AMDQ provide MPs with physical and financial rights including:

- Reduced uplift payments—Market Participants can use part or all of their authorised MDQ or AMDQ CC as UHs against congestion uplift charges.
- Priority in scheduled injections (also known as injection ITR)—when there are equally priced injection bids those associated with authorised MDQ or AMDQ CC will be scheduled first.
- Priority in scheduled withdrawals (also known as withdrawal tie-breaking rights)—when there are equally priced controllable withdrawal bids those associated with authorised MDQ or AMDQ CC will be scheduled first. This can now happen at Culcairn for exports to NSW.

AMDQ provide site customers with curtailment 'protection' rights—in the event of transmission constraints resulting in supply shortfalls, unauthorised customers, where operationally practicable, will have their gas supply curtailed ahead of customer sites with AMDQ.

Allocation of Authorised MDQ

Most large industrial and commercial customers hold authorised MDQ allocated to their sites. The allocated quantities were determined based on their 1998 pre-gas market contracted MDQ (daily maximum withdrawal quantity).

The initial allocation of authorised MDQ occurred in 1998, prior to the commencement of the wholesale market and when Longford was the only source of gas supply for the DTS with the exception of peak shaving gas from the Dandenong LNG plant.

The total authorised MDQ was set equal to the Longford to Melbourne pipeline maximum capacity of 990TJ/day and allocated to the following existing and committed new loads (at that time):

- Tariff D customer sites—large customer sites typically with demand exceeding 10TJ per year. The authorised MDQ allocated to each site was set equal to their contract MDQ.
- The New South Wales Interconnect, Wimmera pipeline, Murray Valley towns and DTS compressors.^{1 2}

¹ The Wimmera pipeline is owned by Coastal Gas Pipelines Victoria Ltd ("Coastal"). The Wimmera pipeline services the towns of Ararat, Stawell and Horsham in Western Victoria. The Wimmera Pipeline is now connected to the DTS.

² The quantity of authorised MDQ originally allocated to the Murray Valley towns was auctioned off in 2008.

- The balance of the 990TJ was assigned as a Tariff V block of authorised MDQ to all residential and small to medium sized commercial and industrial customers, i.e. Tariff V sites. AEMO updates each MP's allocation of the Tariff V block authorised MDQ based on their share of the total Tariff V peak day demand. This process is run annually after each winter. MPs' winter allocated Tariff V authorised MDQ is adjusted daily to reflect each MP's net gain of customers occurring on each business day. The daily update is run between 10:00pm and 11:00pm on each business day.

MPs obtain the financial benefits (UH protection and injection and withdrawal tie-breaking rights) of authorised MDQ by supplying to Tariff D and V customers holding these transportation rights.

MPs who wish to acquire authorised MDQ can do the following:

- Negotiate with holders of authorised MDQ to have an agreed quantity of the allocations to be transferred. Transfers can happen from a customer site to another customer site, or a customer site to the reference hub, or at the hub.
- Bid for and purchase spare authorised MDQ at auctions conducted by AEMO from time to time.
- Supply gas to Tariff V customers and get allocated a share of Tariff V block authorised MDQ.

Allocations of AMDQ credit certificates

The DTS has been extended and expanded since 1998 and now includes the New South Wales Interconnect, the South West Pipeline, the connection of the Western Transmission System, the Brooklyn-Lara Loop and the Bass Gas project. As these new pipelines entered the market, AMDQ credit certificates were created to provide similar rights to the authorised MDQ on the Longford to Melbourne pipeline.

AEMO and the DTS service provider have entered into a Service Envelope Agreement (SEA) which determines, amongst other things, transportation capacity and the associated AMDQ credit certificates of existing and new pipelines. The SEA also defines the obligations of each party in relation to the delivery of the agreed pipeline capacity.

MPs who wish to acquire AMDQ CC can:

- Negotiate with holders of AMDQ CC to have the agreed quantity transferred at the hub.
- Contract with the DTS service provider for AMDQ CC or privately expand the DTS capacity.

AEMO allocates AMDQ CC to Market Participants as directed by the DTS service provider.

MPs can nominate to AEMO the quantity of the AMDQ CC to allocate to customer sites or the Reference Hub. The term AMDQ credit is used to refer to the AMDQ CC nomination.

Transfer of Authorised MDQ and AMDQ credit certificates

AEMO implemented the AMDQ transfer algorithm to facilitate transfers of AMDQ at the reference hub, between Tariff D sites, or from a Tariff D site to reference hub. Trading of authorised MDQ occurs outside the DWGM and via bilateral contracts between customers, customers and MPs, or between MPs.

Follow the link below for more details of the Victorian Wholesale Gas Market AMDQ Transfer Procedure

[http://www.aemo.com.au/en/Gas/Wholesale-Gas-Markets/Victorian-Wholesale-Market/~media/Files/Other/vicwholesalegas/AMDQ Transfer Procedures Wholesale Market Victoria_v2%20pdf.ashx](http://www.aemo.com.au/en/Gas/Wholesale-Gas-Markets/Victorian-Wholesale-Market/~media/Files/Other/vicwholesalegas/AMDQ_Transfer_Procedures_Wholesale_Market_Victoria_v2%20pdf.ashx)

Auction of Authorised MDQ

AEMO conducts periodic auctions of spare authorised MDQ—unclaimed authorised MDQ resulting from site closures and surrendered to AEMO.

Follow the link below for more details of the Victorian Wholesale Gas Market AMDQ Auction Procedure.

<http://www.aemo.com.au/en/Gas/Wholesale-Gas-Markets/Victorian-Wholesale-Market/~media/Files/Other/vicwholesalegas/1091-0048%20pdf.ashx>

Glossary

Term or Abbreviation	Explanation
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AMDQ	Collective term for Authorised MDQ and AMDQ credit certificates
AMDQ CC	AMDQ Credit Certificates (in GJ) as defined in the NGR
Authorised MDQ	Authorised Maximum Daily Quantity (in GJ) as defined in the NGR.
CPP	Close Proximity Injection Points
DTS	Declared Transmission System
DTS SP	Declared Transmission System Service Provider
DWGM	Declared Wholesale Gas Market
GWCF	Gas Wholesale Consultative Forum
MP	Market Participant
MSOR	Market and System Operations Rules
NGL	National Gas Law
NGO	The National Gas Objective as stated in section 23 of the NGL
NGR	National Gas Rules
SIP	System Injection Point
VTS	Victorian Transmission System (now referred to as the DTS)