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STTM Procedure Change – STTM validation and price setting process

Dear Violette

The Australian Pipeline Industry Association (APIA) supports the Short Term Trading Market (STTM) proposed procedure change (PPC) and considers it will substantially reduce risks presented to the market by data errors. The operators of the (currently) four STTM pipeline facilities are willing to undertake the necessary system changes required to submit data on hub capacity at 9:30am each gas day rather than the current 11:00am.

APIA notes that on those occasions where a STTM pipeline facility submits invalid data or fails to submit data at 9:30am, a flag will be raised and the STTM pipeline facility will have until 11:00am to correct, confirm or submit the data. APIA considers this appropriate.

Under the PPC, there is no opportunity for a STTM pipeline facility to raise a flag on its own data. There are circumstances where such an ability could improve market outcomes. It is possible that at 9:30am an STTM pipeline facility is aware that its data is either incomplete or very likely to change. This could be due to a variety of reasons, not all of which are under the STTM pipeline facility's control.

As the PPC stands, an STTM pipeline facility is faced with two options:

1. Submit the facility data. This leaves the STTM pipeline facility with no formal means of signalling to the market or AEMO that the data submitted at 9:30 am may not reflect the actual hub capacity and no ability to update the data by 11:00am should the situation either resolve itself or be clearer by this time.
2. Fail to submit the data. This would raise a flag and enable the STTM pipeline facility to provide data by 11:00am, at which time the situation may have resolved itself or its impact on hub capacity is clearer.

This matter was raised during the discussion on the PPC at the STTM Consultative Forum (CF) meeting in Melbourne on 31 January 2011. At the time, a solution was not reached but it seemed to APIA that the consensus of the CF was that a standard approach is desirable. It was suggested that APIA might consider including advice on this matter in the Guidelines for the Provision of STTM Information by Pipeline Operators.

APIA and STTM pipeline facility operators discussed the matter and elected not to include advice in the Guidelines for two reasons:

1. APIA is of the view that standardised approaches to market issues should be mandated by the market operator, not market participants.
2. The two options identified are not ideal solutions. For the first, the issue is effectively ignored. For the second, APIA would have to advise STTM pipeline facility operators to breach the National Gas Rules.

Under the PCC as it stands, STTM pipeline facility operators would be expected to make a judgement call when this situation arises, leading to possible inconsistencies in response to such situations. APIA considers it is preferable to have a consistent response to situations where a STTM pipeline facility operator does not consider the data it has available at 9:30am will reflect the actual hub capacity that will be available. It should also be preferable for the market to use as accurate data as possible.

APIA proposes that the PPC be modified to enable a pipeline to raise a flag on its own data indicating it reasonably expects that it will have more accurate data available at 11:00am and that this more accurate data should be used for the day. This may not necessarily indicate that the data will change, only that there may be a higher degree of confidence in the data by 11:00 am.

APIA has made this proposal within the framework of the PPC, which also sets out that AEMO will publish STTM pipeline facility data as soon as practicable after 9:30am. As the primary intention of the PPC is to provide a more robust data validation process, rather than providing earlier data to the market, an alternative solution would be to continue the current practice of publishing data as soon as practical after 11:00am and allow a STTM pipeline facility to update its data up until 11:00am. This would remove the need for a STTM pipeline facility to flag its 9:30am data, and would also enable a STTM pipeline facility to accurately reflect any nominations that are received between 9:30am and 11:00am. This would satisfy APIA's concerns regarding situations where the 9:30am data is subject to change and would allow the most accurate data available by 11:00am to influence the STTM in all circumstances.

If you wish to discuss this proposal in more detail, please feel free to contact me on (02) 6273 0577.

Yours sincerely



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