

## Nova Energy submission: emsTradeport Force Majeure Consultation

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Question	Comment
Q1: Do you agree that FM on the exchange should align more closely with GSAs?	No.  Market arrangements bear no alignment with GSAs, specifically FM clauses are related to agreed physical assets by both parties and how these might be exposed to unplanned events. Contracting parties negotiating a bi-lateral arrangement can assess the inherent risk and manage contractual mitigations to suitably address the potential events. Market anonymity prevents this risk assessment which has always meant their threshold for relief has been much greater/restricted and the mitigations are predefined under the participant agreement. Applying FM's under GSA terms opens the door to credit risk issues as we start taking on more of the unknown counterparty risk rather than trading a fixed/defined product and relying to the EMS platform to police the deliverability. Nova does not see any value in attempting to construct an alignment which doesn't exist.
Q2: Do you agree that FM should be made available OTD and linked to the next available ID cycle?	No.  OTD FM would reduce market activity if participants are not required to fulfil their obligations, the material risk for on the day volumes are easily quantified at the time of the transaction and each party should be able to manage this through their own portfolio and/or further transactions. OTD FM would undermine the certainty and quality of market transactions, and would cause a perverse outcome where parties can potentially claim FM, thereby shifting their shipping imbalance onto the wider market and SO.
Q3: Do you agree that Participants should retain the obligation to manage their nominations under OATIS?	Yes.  Shippers must be obligated to manage their nominations in OATIS.

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<p>Q4: Which of the two options do you agree with for handling OTD trades? Are there alternative ways of handling curtailments?</p>	<p>Option 2</p> <p>The exclusion of OTD trades prevents complex transaction handling, for example if FM is called after ID2, option 1 will calculate the deemed flow at ID 3, however it is unclear or undefined how any further trades would be affected between the FM call and the ID closure. These could lead to significant changes to the VWAP and hence the impact of the FM.</p>
<p>Q5: Do you agree with the timeframes for trades to be included as approved and for FM events to be notified?</p>	<p>Yes</p> <p>The timeframes are undesirably short, however given the issues with deemed flow (not just for the market but shipper portfolio nominations), the immediacy of an OTD FM is critical.</p>
<p>Q6: To what extent do you think FM events might increase if we make this change, and do you think this could undermine the credibility of the market?</p>	<p>Nova believes there could be a significant increase in intra-day FM calls on the market.</p> <p>There have recently been several outages reported which have resulted in significant transactions on the market. If the parties to those transactions were able to instead claim FM, then they could have instead backed out of their commitments.</p> <p>Nova believes this would undermine the confidence in the market and Nova would prefer emsTradePoint to be a fixed and secure option for gas supply. One of the key functions of emsTradePoint is to provide gas in planned outages as a last resort (even if it is an expensive one) and by introducing the potential that the gas you thought to be secure to subject to an FM by the exact counterparty you were trying to mitigate against has its own issues and implications. Especially if you are compensated under the VWAP but subject to an unrelated cash out price.</p>

Question		Comment
Q7:	Should emsTradepoint validate all FM events?	<p>If FM is to be allowable on an intra-day basis then there needs to be a strict compliance and penalty regime to ensure the system is not gamed. As such emsTradepoint would need to validate all FM events.</p> <p>Otherwise, the Market committee is sufficient for FM verification. This should be reviewed if the frequency FM events increases, to impose a more robust verification process.</p>