



AGL Energy Limited

ABN: 74 115 061 375
Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065
t: 02 9921 2999
f: 02 9921 2552
agl.com.au

Ms Katherine Lowe

Gas Market Reform Group

c/o Australian Energy Market Commission

PO Box A2449

Sydney South NSW 1235

Submitted by email to enquiries@gmrg.coagenergycouncil.gov.au

8 November 2017

Dear Ms Lowe

AGL welcomes the opportunity to comment on the Gas Market Reform Group (GMRG) Consultation Paper on the day ahead auction of contracted but un-nominated capacity and reporting framework (Consultation Paper).

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional generation fuel sources as well as renewable sources. AGL is also a significant energy retailer, providing energy solutions to over 3.6 million customers throughout Australia.

AGL has a long history of involvement in Eastern Australian gas markets. Along with selling gas to residential, commercial and industrial customers, AGL also utilises gas in power generation, is a gas 'shipper', and owns and operates gas production and storage facilities. AGL has also actively participated in the various gas market reviews and the views expressed in this submission leverage on AGL's considerable market experience and previous contributions to the policy debate.

AGL supports the gas market reform work being undertaken by the COAG Energy Council and the implementation of a capacity trading platform and standard operational gas transportation agreement (GTA). These reforms will make it easier to voluntarily trade pipeline capacity and maximise the use of the gas pipeline system. However, AGL is concerned with the utility and potential negative impacts of the day ahead auction. Fundamentally, AGL questions:

- which Eastern Australian gas customers can benefit from the reforms. AGL contends that the structure and rules governing the Short-Term Trading Markets precludes participants offering gas in good faith to these markets on haulage and related trading rights yet to be contracted through the day ahead auction. While the day ahead Victorian Declared Wholesale Gas Market outcomes are not set at the time of the auction, AGL notes that only one pipeline supplying and withdrawing gas from this market is bilaterally contracted, and delivered less than 0.5% of Victorian demand over the past 2 years.
- whether the day ahead auction will be of use to participants other than those producing their own gas. In AGL's experience, gas producers provide limited renomination flexibility under gas supply



agreements in the timeframes of the day ahead auction. Furthermore, all Short-Term Trading Markets and Gas Supply Hubs have closed by the day ahead auction timeframe, further limiting the availability of gas to ship on haulage purchased under the day ahead auction.

- whether the objectives of the reform could be met via improvements to as-available and interruptible contracts, such as standardisation of those contracts.
- whether the additional costs of the day ahead auction to the Australian consumer will be worthwhile.

Furthermore, AGL has concerns with the potential impact of the auction on GTAs that allow shippers to provide additional services beyond gas to customers and markets, such as:

- flexible gas powered generation
- gas market rebalancing in response to unplanned supply, pipeline or customer outages
- emergency responses such as contingency gas.

Noting the GMRG has been tasked by the COAG Energy Council to design and implement a day-ahead capacity auction, AGL urges the GMRG to consider how to preserve the benefits provided by bilaterally negotiated GTAs when finalising the design of the day ahead auction.

Market benefits from GTA provisions

Shippers require flexibility, including intraday flexibility, to provide a range of market services and to respond to changes in demand. Changes in gas flows are managed through renomination of contracts on the day, or the use of as-available and interruptible contracts. Primary (firm) GTAs may also provide additional services to support shipper requirements such as a higher maximum hourly flow quantity (for example, to support gas powered generation), or additional imbalance allowance and park allowances (for example, to support distribution network and market balancing services such as MOS).

If the reforms are implemented in the form proposed in the consultation paper, as-available and interruptible contracts will become a low priority product. In addition, the services available through firm GTAs may be affected by certain design aspects of the day-ahead auction. AGL appreciates that the GMRG is seeking to maintain the rights held under primary GTAs including the ability to re-nominate. However, AGL is concerned that these services that currently exist under primary GTAs may be eroded by the day ahead auction reform.

The day-ahead auction product should not be different from the secondary traded product

AGL considers that to make this package of reforms most effective, the auction product should be similar to the capacity trading product. Prospective shippers should have the same or greater incentives to seek out capacity from firm shippers through the capacity trading market rather than through the day-ahead auction. Creating vastly different products (such as point-to-point vs zonal) may impact the effectiveness of the capacity trading product.

Introduce a simple, low cost day ahead auction in the first instance

The day-ahead auction should be simple and low cost, with the impacts on GTAs minimised as much as possible.



The product should also be 'clean' (i.e. an auction winner is given a daily haulage package) with no outstanding physical obligations extending beyond the auctioned gas day. In particular:

- the auction product should not have receipt, delivery or imbalance tolerances, and system use gas obligations should be simple and transparent
- the product should require the auction winner to immediately clear any imbalance resulting from failure to receipt or deliver gas once the auctioned gas day ends. AGL notes that residual imbalances may affect the rights of primary and other shippers on subsequent days.

In addition, AGL does not see value in the day ahead auction of compression and interruptible backhaul services.

AGL provides responses to the feedback template in Attachment 1.

If you have any queries about the submission or require further information, please contact Meng Goh on (02) 9921 2221 or mgoh@agl.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux', enclosed in a thin black rectangular border.

Elizabeth Molyneux

Head of Energy Market Regulation



Attachment 1 Stakeholder feedback template

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in this paper and any other issues that they would like to provide feedback on. The GMRG strongly encourages stakeholders to use this template, so that it can have due regard to the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

PART A Day-Ahead Auction of Contracted but Un-Nominated Capacity

	Questions	Feedback
3.1	Transportation products auctioned	
1.	<p>Do you agree with the proposal to include the following products in the auction:</p> <ul style="list-style-type: none"> ○ forward haul transportation services (with separate products offered in both directions on bi-directional pipelines)? If not, please explain why. ○ compression services? If not, please explain why. 	<p>AGL considers compression services should not be included in the capacity auction.</p> <p>Even though compression is offered as a separate service in the Gas Supply Hub, the product does not trade. This is because compression services exist primarily to support haulage and participants that trade across the GSH will include haulage and compression. A shipper cannot use compression services if they don't also have haulage that the compression is linked to.</p> <p>If circumstances change in the future and compression becomes a popular product, it could be added to the capacity auction later.</p>
2.	<p>Do you agree with the proposal to include an interruptible backhaul service in the auction for single direction pipelines? If not, please explain why.</p>	<p>AGL considers the interruptible backhaul service should not be part of the auction.</p> <p>Notional backhaul should be facilitated, as this helps move gas efficiently. However, this is best done through gas swaps and not by adding haulage costs to the movement of gas where the movement is notional and not physical (backhaul is a notional product).</p>



	Questions	Feedback
3.2	Priority of the auction product	
3.	<p>Do you agree with the proposal to adopt a second priority firm auction product? If not:</p> <ul style="list-style-type: none"> ○ please explain why you think this option should not be selected; and ○ please set out the option you think should be adopted and why you think it is more consistent with the AEMC's recommendations and the assessment framework set out in section 2.3 than the second priority firm auction product. 	<p>AGL considers there will be significant impacts from making the auction product higher priority than as available and interruptible products. AGL believe there will be a material impact to the reputability of the energy industry if the rights of primary GTA's are eroded.</p> <p>Primary GTA's are bespoke contracts that support a number of industry operations. Reduced flexibility is likely to affect:</p> <ul style="list-style-type: none"> • The ability for gas generators to respond to changing NEM demands according to 5 minute dispatch instructions • Participation in existing gas markets, including the ability to provide MOS, contingency gas, and manage producer interruptions <p>AGL also notes the auction design could affect a shipper's ability to manage gas flows. Firm GTAs often include services such as maximum hourly quantity, imbalance allowances and park allowances. These services are based on the contract MDQ and are available irrespective of the volumes being transported on a day – the services have also grown from shippers' needs to maintain a stable and secure energy system.</p> <p>AGL suggests the GMRG consider making the auction product a second priority as-available product. This would provide contract holders with some additional flexibility to manage large changes in seasonal demand. Flexible products like as-available products are beneficial for both the operation of the pipeline and for the shipper. Some changes in demand are uncontrollable and seasonal, such as retail customers. AGL does its best to forecast and nominate accordingly. If demand is higher than firm capacity, the 'as available' product allows shippers to make the pipeline operator aware of the likely pipeline use so it can manage the pipeline capacity. It also avoids overrun situations that can impact the security of the pipeline.</p>



	Questions	Feedback
4.	<p>Are there any other tools that you think should be available to auction participants to manage curtailment risk?</p>	<p>Intra-day renominations are common. Holding aside a small amount or percentage of the contracted and un-nominated capacity to enable re-nominations may help alleviate the risk of curtailment for all shippers.</p> <p>It is reasonable that auction winners should not have to pay for capacity that is curtailed because of a re-nomination of a primary capacity holder.</p> <p>AGL considers auction winners should not have access to spare primary capacity, as a right, if they are curtailed. It is important to create incentives for prospective shippers to try and purchase primary capacity or secondary capacity before the gas day. Given the incentives being placed on shippers to make capacity available for secondary sale, there should not be incentives that relieve the major risks from the buyers who have decided to wait for the auction product.</p>
3.3 Other elements of the auction product		
5.	<p>Do you think the auction product should have:</p> <ul style="list-style-type: none"> ○ the same MHQ factor as that specified in the service provider's operational GTA? If not, please explain why. ○ a 'reasonable endeavours' renomination right? If not, please explain why. 	<p>AGL agrees that the auction product should have the same MHQ as the capacity trading product.</p> <p>Generally, AGL considers it important that the auction product is not more favourable than the capacity trading product. It would be unfortunate if shippers make capacity available for trade, but the auction product is superior in certain ways and preferred by prospective buyers.</p> <p>AGL notes that a 'reasonable endeavours' re-nomination right for the auction product is a weak obligation. If an auction winner does not nominate the full amount it has won, and wishes to re-nominate up on the day, but that capacity has already been allocated to an as-available contract holder, the pipeline operator could deny the re-nomination. AGL considers this outcome to be appropriate as an auction winner should not be able to displace a scheduled contract holder.</p> <p>AGL considers there should be a penalty if the auction winner does not use capacity that it has nominated to use following the auction. In this case they have displaced another shipper such as those wanting to use that capacity through an as available or</p>



	Questions	Feedback
		interruptible contract. GMRG should consider market conduct provisions for the use of the auction product.
6.	<p>Do you think the auction product should have an imbalance allowance equivalent to that specified in the service provider's operational GTA?</p> <ul style="list-style-type: none"> ○ What, if any, effect do you think this would have on a MOS provider's ability to provide balancing services in the STTM? If you think it will be problematic, are there any measures that you think could be employed to address this issue, while also providing auction winners with some level of an imbalance allowance? ○ Are there any other issues that the GMRG should be aware of in relation to this proposal? 	<p>AGL considers the auction product should not have an imbalance allowance. There are two reasons for this.</p> <p>The first is that the auction product is a single day product. Buyers should be able to use the product without having to manage an imbalance after the day. Also the pipeline operator and other shippers should not have to manage the impacts of imbalances that are not rectified. However, it is inevitable that auction product users will not be in balance so there should be a mechanism in place to rectify the overrun or underrun by the end of the gas day as to not create any lingering impacts.</p> <p>The second is that providing an imbalance on the auction may impact on the imbalance rights of existing firm GTA's holders. Imbalance is often a function of the MDQ on a contract, not what is being physically transported. Hence by auctioning some of the capacity to increase the physical flow, the pipeline operator may no longer be able to meet the imbalances they are required to meet under the primary GTA's.</p>
3.4 Contract path specification		
7.	<p>Do you think a zonal or point-to-point contract path approach should be employed in the auction?</p>	<p>AGL considers a zonal approach should be adopted. This is consistent with the product that is offered for secondary capacity trading. As discussed throughout this response, if the purpose of the day-ahead auction is to encourage shippers to sell on the capacity trading platform, the auction product should be as equal as possible.</p> <p>A point to point approach is also more complicated to implement. For example, how would the auction decide between bids of equal monetary value but differing points, but where one of the bidders wishes to transport the gas further? A zonal approach helps create an equally valued, fungible, auction product.</p>



	Questions	Feedback
8.	<p>If you think a point-to-point approach should be employed, do you have any concerns with:</p> <ul style="list-style-type: none"> ○ the proposal to use different approaches for the trading platform and auction? If so, please explain why. ○ the potential for the publication of information on contracted but un-nominated capacity at delivery points servicing market generating units to adversely affect competition in the NEM? If so, please explain why and how you think this could be addressed. 	<p>As above - AGL considers the same approach should be used for the capacity trading product and the auction product.</p> <p>AGL notes that publishing the un-nominated capacity of gas powered generation (GPG) connection points may reveal the intentions of that generator to bid into the NEM. This may have competitive impacts in the NEM.</p> <p>In the Gas Bulletin Board work of the AEMC this issue was addressed by making AEMO aggregate information such that the forecasts and nominations of GPG are not revealed.</p> <p>Using a zonal approach for the auction product would help to address this issue.</p>
9.	<p>Are there any other complexities associated with the point-to-point approach or technical requirements the GMRG should factor into its consideration of this issue?</p>	<p>As above - AGL considers the same approach should be used for the capacity trading product and the auction product.</p>
4.1 Calculation of auction quantity		
10.	<p>Do you agree that the calculation of the contracted but un-nominated capacity will simply involve deducting the actual nominations from the reserved capacity for each product (e.g. at receipt points, delivery points, pipeline segments and compression), or are there other complexities that service providers will need to deal with that have not yet been identified?</p>	<p>AGL considers this would be best answered by the pipeline owners and peer reviewed by an engineering entity.</p> <p>AGL notes that participants may mismatch receipts and deliveries deliberately to build or use line pack, and the GMRG will need to consider this operational behaviour when creating procedures on what is available.</p>
11.	<p>Given your view on product design, do you think as available or interruptible nominations received prior to nomination cut-off should be included in the calculation of contracted but un-nominated capacity?</p>	<p>Yes. AGL's view is that the all nominations for the pipe should be considered before any quantity is auctioned. However, as discussed above in question 3 AGL considers</p>



Questions		Feedback
		<p>that even the second priority as-available product would provide for some additional flexibility to support the market.</p> <p>AGL believe that as available and/or interruptible nominations by participants before the auction should also be considered deemed bids (at the as available / interruptible price specified in the respective contract) when the auction is run.</p> <p>Also, the pipeline operator should not auction a product unless it considers that the auctioned quantity is likely to be met.</p>
12.	If the auction product is defined as a second priority as available or interruptible product, do you think service providers should be required to employ a top down approach to scheduling these services, or are there technical reasons why this approach can't be employed?	AGL is unable to comment on any technical issues with a top-down approach, but notes that it appears to maximise use of the pipeline capacity.
13.	Are there any other factors that service providers would need to take into account when calculating the auction quantity for each product?	
14.	Are there any specific calculation issues that the GMRG would need to consider if the point-to-point approach is used?	AGL considers the same approach should be used for the capacity trading product and the auction product. That is, a zonal approach.
15.	Do you think the method service providers are to use when calculating the auction quantity should be specified in the NGR, or do you think service providers should be able to develop their own method and have it approved by the AER?	AGL considers service providers should have clarity from an independent body in how to calculate the auction quantity. There should be consistent approaches across different pipelines. Also the calculation will have impacts on primary GTAs so should not be ambiguous.
4.2 Auction format		
16.	Do you agree with the proposal to utilise a partial combinatorial auction? If not, please explain why?	



	Questions	Feedback
17.	<p>Do you think there is value in including the minimum requirement optional feature from market start, or do you think this could be added over time if required?</p> <ul style="list-style-type: none"> ○ If you think it should be included from market start, please outline the benefits you think bidders will derive from its inclusion and if you think these benefits will outweigh the costs and complexities of including this in the auction solver? ○ If a minimum requirement is adopted (either from market start or later), which combination of minimum requirement (global or bid-specific) and allocation mechanism (option 1 or 2) do you prefer and why? The GMRG is particularly interested in stakeholders' views on the impact on bidders and efficiency as well as potential gaming opportunities with any of these combinations 	
18.	<p>Do you think there is sufficient demand for substitutable routes to warrant the inclusion of the XOR set optional feature? If so, please explain why.</p>	
19.	<p>Do you agree with the proposal to include the static backhaul optional feature? If not, please explain why.</p>	<p>See question 2 above. AGL does not agree that interruptible backhaul should be part of the auction.</p>
4.3 Reserve price		
20.	<p>If compressor fuel is provided by a service provider, do you think the reserve price should be adjusted to reflect these costs, or do you think the costs should be recovered through the operational GTA?</p>	<p>Costs should be recovered by the operational GTA.</p>
4.4 Pricing rule		



	Questions	Feedback
21.	Do you agree with the proposal to adopt a pay-as cleared pricing rule? If not, please explain why.	AGL disagree, and support a pay as bid method. This ensures participants offer their true value of capacity to the auction. It also helps manage curtailment (i.e. those who offer the cheapest step are the first to be curtailed in the event there is curtailment).
22.	If you propose an alternative pricing rule, please provide details on how this rule could be implemented and whether or not the inclusion of minimum requirements and/or XOR sets would be problematic under this alternative rule.	
23.	Do you agree with the proposal to set the price at the lowest accepted bid if the lowest accepted bid is fully cleared? If not, please explain why. <ul style="list-style-type: none"> ○ If you propose an alternative pricing rule, please provide details on how this rule could be implemented and whether or not the inclusion of minimum requirements and/or XOR sets would be problematic under this alternative rule. 	AGL considers that participants should pay what they bid (in the event they offer multiple steps, it would be from the most expensive bid first).
24.	Do you agree with the proposal to use a random tie-break mechanism in those cases where there are more than one set of prices that satisfy the pricing constraints imposed by the lowest accepted bids? If not, please explain why.	AGL does not agree with the use of random tie-breaks.
4.5 Method for determining winning bidders		
25.	Do you agree with the proposal to determine winning bidders through the use of a profit maximising algorithm, which in this case reduces to a revenue maximising algorithm? If not, please explain why.	



	Questions	Feedback
26.	Do you agree with the proposal to use a random tie-break rule to determine winning bidders? If not, please explain why.	AGL does not agree with the use of random tie-breaks. In the event that there is a tie, the quantity remaining after clearing all higher prices should be pro-rated across the single lowest priced step (up to their cap in quantity).
4.6 Curtailment on the gas day		
27.	Do you agree that auction winners should be able to try and procure primary capacity from the service provider if the curtailment arises as a result of a renomination and there is spare primary capacity available? If not, please explain why.	<p>Auction winners should not be able to access primary capacity if curtailed.</p> <p>In the event a shipper has taken the position not to hold a primary GTA, nor as available nor interruptible capacity and instead choose to rely on a day-to-day trading product, then this is a risk that should be clear and defined.</p> <p>AGL notes that if curtailed, to take up an as-available service the auction winner would need to have an existing as-available contract in place. There should also be incentives for prospective shippers to seek capacity prior to the gas day, where the capacity is available for primary or secondary sales.</p> <p>If it is decided that auction winners will be able to access primary capacity, they should only be able to access spare primary capacity that is not subject to a scheduled as-available or interruptible contract. That is, the auction winner should not be able to displace another shipper that has been scheduled that day.</p>
28.	Do you think that auction winners should be able to choose whether they are only curtailed on the product for which there is insufficient capacity or across all products? If not, please explain why.	Curtailment should only be on the segment that requires it. A curtailed auction winner is able to nominate down on other pipeline segments.
29.	Do you think that the pro-rating with compensation curtailment option should be employed as the project team has suggested, or do you think the pipeline wide valuation with or without compensation option should be employed? In addressing this question, please outline how significant you think the risks of curtailment are.	Curtailment should be based on the 'pay as bid' bid stack. Those who offered the least for the haulage in the bid stack should be curtailed first.



	Questions	Feedback
4.7 Allocation of the auction residue		
30.	Do you agree with the proposal to allocate the auction residue to service providers based on the revenue achieved by individual products? If not, please explain why and set out what alternative approach you think should be employed.	<p>AGL believe revenue from the auction should be provided to the contract holders.</p> <ul style="list-style-type: none"> • Shippers already enable the entire auction product by taking firm contracts with service providers. • Providing the revenue to the service provider allows them to be paid twice. • Providing the revenue to the service provider, instead of shippers, may also stifle future investment in new capacity.
4.8 Information to be provided to auction participants		
31.	<p>Do you agree with the proposal to:</p> <ul style="list-style-type: none"> ○ provide auction participants with information on the products to be auctioned and the auction quantities prior to the auction? ○ provide auction winners with information on their own winning bids and the clearing price for all the products sold through the auction? ○ publish information on auction quantities and the clearing prices on the BB website? 	AGL agrees.
32.	Do you agree with the proposal not to publish the bid-stack in the initial stages of the auction's operation? If not, please explain why you think the gaming issues identified by NERA are unlikely to affect the robustness of the auction.	AGL considers the bid stack should be published, confidential bid stacks are unusual in the energy markets.
4.9 Auction timing		
33.	Do you agree with the proposed timing offsets for the auction related D-1 activities? If not, how long do you think should be allowed for each activity?	<p>AGL does not have a view on the duration of activities, other than to note that earlier is better.</p> <p>AGL does have concerns with the timing of the auction. It is beyond the cut-off point for all ex-ante STTM's and the GSH (until the current day re-opens). Few producers allow for nominations for the day ahead at the time auction participants are likely to discover what they have won.</p>



	Questions	Feedback
34.	<p>What do you think should occur if:</p> <ul style="list-style-type: none"> ○ a service provider is unable to provide AEMO with the auction quantity within the required timeframe? ○ AEMO experiences a system failure and is unable to conduct the auction within the required timeframe? 	<p>AGL suggests that AEMO could declare to the market that there has been a delay, and that once that delay extends beyond 60 minutes participants can rescind their bids with notice to AEMO and without penalty.</p>
5.2 Coverage of the auction		
35.	<p>Do you agree with the proposal to apply the auction to all the transmission pipelines (excluding the Declared Transmission System) linking major demand centres and supply sources in the east coast and contractually congested pipelines in regional areas? If not, please explain why.</p>	<p>AGL agrees with the broader application of the auction.</p>
36.	<p>Are there any other pipelines or compressors that you think should be added to the list of pipelines and compressors that could be subject to the auction in Table 5.2?</p>	<p>See question 1. AGL does not see any benefit in compression services being part of the auction.</p>
37.	<p>Do you think that the efficiencies associated with a broader application of the auction will outweigh some of the dynamic efficiency losses that could occur on individual pipelines? If not, are there any other measures that you think could be employed to ameliorate the effect of any such losses?</p>	
38.	<p>Do you agree that exemptions should be available to:</p> <ul style="list-style-type: none"> ○ transportation assets that are not providing third party access? If not, please explain why. ○ transportation assets that service a single facility? If not, please explain why? 	<p>AGL agrees that there should be an exemption for pipelines not providing third party access. That is, where the pipeline is owned by the gas production/storage facility or a subsidiary of the facility (or vice versa) and no GTA's outside the arrangement exist.</p> <p>There is also no benefit from having the auction for pipeline capacity that is servicing a single facility, as there is no need to allow another shipper to access the capacity.</p>



	Questions	Feedback
39.	Do you think an exemption should be available to pipelines that fall below a minimum size threshold if they are not contractually congested? Please explain your response.	<p>AGL agrees.</p> <p>If a pipeline is below 10TJ / day and is not contractually congested, then it is unlikely to meet the criteria in question 35 where the auction applies to:</p> <ul style="list-style-type: none"> • transmission pipelines (excluding the Declared Transmission System) linking major demand centres and supply sources in the east coast • contractually congested pipelines in regional areas.
40.	Are there any other exemptions that you think should be provided for? If so, please explain what they are and why they are required.	
6.1 Auction platform and systems		
41.	Do you agree with AEMO's proposal to use existing systems and a modified version of the SRA algorithm? If not, please explain why.	AGL supports minimising the costs of the auction. AGL believe that using a pay as bid mechanism should enable a lower cost platform development.
42.	Will service providers need to put any new systems in to calculate auction quantities or to deal with information transfers between itself and AEMO? If so, how long do service providers think this is likely to take?	
6.2.2 Settlement arrangements		
43.	Do you agree with AEMO's proposal to combine the settlement amounts for the GSH and day-ahead auctions? If not, please explain why.	
6.2.3 Credit risk management		
44.	Do you agree with AEMO's proposal to combine the credit risk management arrangements for the GSH and auction products? If not, please explain why.	AGL supports measures to improve the efficiency of posted prudential amounts in the gas industries.
6.2.4 Cost recovery		



	Questions	Feedback
45.	Do you agree with the proposal to recover AEMO's costs of implementing and conducting the day-ahead auction from auction and GSH participants? If not, please explain why.	<p>AGL suggests the COAG Energy Council should cover the costs incurred by AEMO to establish the auction mechanism, but agree that ongoing fees for using the auction should be met by the users.</p> <p>AGL strongly disagrees with the option in the consultation paper that primary capacity holders pay for the auction costs. It is possible that prospective buyers will prefer to use the auction instead of buying capacity from primary holders, given the zero-reserve price of the auction product. Primary capacity holders should not be penalised twice (not receiving payment for the capacity and having to pay for the auction).</p>
46.	Do you agree with the proposal to allow AEMO to determine, in consultation with auction and GSH participants, the fee structure that would apply to the day-ahead auction and secondary capacity trades? If not, please explain why.	AGL agrees, so long as any such fees changes cannot be set in a retrospective aspect.
47.	Do you think the cost recovery provisions should be specified in the NGR?	AGL does not have any strong view on what cost recovery provisions should be specified in the NGR. Although note that if the fee structure is being combined with the GSH as suggested in the consultation paper then a similar structure across the NGR and subordinate instruments would be sensible.
6.25 Other contractual arrangements required by auction winners		
48.	What changes do you think will need to be made to the Operational Code that was released for public comment in the <i>Standardisation Related Reforms and the Capacity Trading Platform Consultation Paper</i> to accommodate the auction product?	
7.2 Legal and governance framework for the day-ahead auction		
49.	Are there any other changes that you think will be required to the legal and governance framework to give effect to the day-ahead auction that have not been identified in table 7.1?	



PART B – Reporting Framework for Secondary Trades

	Questions	Feedback
8.1 Types of trades to be reported		
50.	<p>Do you agree with the proposal to specify that the reporting framework will apply to the following types of secondary trades:</p> <ul style="list-style-type: none"> ○ all exchange traded products listed on the capacity trading platform; and ○ bilateral trades involving forward haul, backhaul, park, park and loan, and/or compression services that are given effect through either a bare transfer or an operational transfer? <p>Or do you think that there are other types of secondary capacity trades that should be reported?</p>	<p>AGL is supportive of reporting on trades in relation to all exchange traded products. AGL continues to hold the view that trades entered in to off market are confidential bilateral arrangements that should not be reported. Expanding of reporting obligations to include STTM purchases, location swaps and the like muddies the waters between gas supply and haulage products.</p> <p>Market participants are obliged to report to regulators and the like on the nature of and of these arrangements. Making the terms of these public is not only a breach of confidentiality but does not add to the principle of facilitating trading of haulage capacity.</p>
8.2 Information to be reported		
51.	<p>Do you agree that the information set out in Table 8.1 should be reported for exchange based capacity trades and bilateral capacity trades? Or do you think that:</p> <ul style="list-style-type: none"> ○ additional information should be reported? If so, please set out what additional information you think should be reported and why. ○ less information should be reported? If so, please set out what information you don't think should be reported and why. 	
52.	<p>Do you think any additional measures are required to protect the anonymity of counterparties? If so, please explain what they are and how this would be consistent with the overarching objectives of the reporting requirements.</p>	<p>As noted in the paper, zones would be used for reporting to provide some anonymity. Generally this will be ok, but it should not inadvertently give away the future position of gas powered generators.</p> <p>This is consistent with AEMO's new obligations to report nominations and forecasts on the Bulletin Board.</p>
8.3 Reporting obligation for bilateral trades		



	Questions	Feedback
53.	<p>Do you agree that the obligation to report bilateral trades of secondary capacity should fall on the seller? Or do you think the obligation should fall on:</p> <ul style="list-style-type: none"> ○ the buyer? If so, please explain why. ○ both counterparties? If so, please explain why. 	<p>AGL suggests that reporting should fall to both participants, as it does in the exchange.</p>
54.	<p>Do you agree with the proposal that bilateral trades of secondary capacity should be reported by the earlier of one day after the trade is executed or the day prior to the trade commencing? Or do you think sellers require a longer period of time to report trades?</p>	<p>Participants should have 7 days to report a trade once executed. However, if a trade is executed with less than 7 days until commencement, participants should report it as soon as reasonably practicable.</p>
55.	<p>Do you agree that shippers should be given flexibility to engage someone to report on their behalf, or should all shippers be required to gain access in their own name to the reporting systems?</p>	<p>Participants carry ultimate responsibility in adhering to their obligations. If they choose to engage a third party to do this on their behalf, that is their right but the obligation to report remains with them.</p>
8.4 Where information should be published		
56.	<p>Do you agree with the proposal to allow AEMO to publish information on:</p> <ul style="list-style-type: none"> ○ exchange based trades on the GSH and the BB website? If not, please explain why. ○ bilateral trades on the BB website? If not, please explain why. 	<p>The publishing of all trades captured by the reporting obligations should be in the same location to facilitate the grouping and publishing of like information in real time. Use of the GSH or bulletin board is fine for this purpose.</p> <p>AGL also supports design options that minimise the cost of the day ahead trading platform. It makes sense that the bulletin board / GSH is the location for information, instead of a new platform.</p>
9 Governance arrangements		
57.	<p>Are there any other changes that you think will be required to the governance arrangements that have not been identified in table 9.1?</p>	