



Attachment 1 APLNG Stakeholder feedback

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 |
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| 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>APLNG agrees that:</p> <ul style="list-style-type: none"> ○ forward haul and both directions on bi-directional pipelines should be included in the auction. ○ Compression services should be offered at the selected locations (GSH). APLNG also notes that all compression required for transportation paths in the CTP and auction should be included in those transport services. |
| 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>APLNG agrees that interruptible backhaul service on single direction pipelines should be included in the auction because it would improve the efficiency of the pipeline, provide an additional incentive to existing capacity holders to offer the capacity and because the cost to offer the service is relatively low.</p> |
| 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 | <p>The auction product should have the highest priority possible. APLNG's first preference is Option 4: Hybrid of Firm and Interruptible product. This option would provide the participants the alternative to pay a higher price for firm transportation, if desired, which would allow for daily financial products to develop in the future.</p> <p>Option 4 also provides the most significant 'credible threat' to encourage current capacity holders to review their longer term capacity position and if any capacity is not required, offer this capacity longer term to the capacity platform. APLNG is not suggesting that firm re-nominations rights would be affected, but the auction would only</p> |



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| | <p>in section 2.3 than the second priority firm auction product.</p> | <p>affect capacity holders that have reasonable endeavours renomination rights. If any of the other options are selected, APLNG believes that contracts with RE renomination rights would be granted a contractual right that they currently do not have as their RE renomination rights would be elevated to a firm priority. For most shippers, gas nominated after the deadline is not firm, only a right that has been previously granted due to lower utilisation of the pipeline network. APLNG suggests that on the day, the auction capacity could be equally split between firm and interruptible, thus the market could differentiate between the value of these products, while accommodating some of the potential renominations of the existing firm holders.</p> <p>APLNG recognises that Option 4 does not fully accommodate the AEMC's required outcome that renominations by incumbent shippers be accommodated. The consultation varies in several instances from the AEMC's recommendations as it has been a more in depth review of the issues. The need for free movement of gas across the east coast also has increased throughout 2017 due to the predicted gas shortfalls.</p> <p>APLNG believes that the AER should be responsible for reviewing the auction outcomes to ensure that gaming of the system has not happened.</p> |
| 4. | <p>Are there any other tools that you think should be available to auction participants to manage curtailment risk?</p> | <p>As discussed in the consultation, if an auction participant is curtailed, participants should be given the option to receive a full reimbursement of their auction amount across all combinatorial routes or if there is available capacity, be allowed to renominate any curtailed pipeline segments as a different type of service.</p> |
| <p>3.3 Other elements of the auction product</p> | | |
| 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>APLNG agrees that the auction product should have the same MHQ factor as the service provider's operational GTA and a reasonable endeavours renomination right.</p> |
| 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 | <p>The auction product should have an imbalance allowance as specified in the service provider's operational GTA.</p> <ul style="list-style-type: none"> ○ APLNG understands that the long term goal is to simplify the STTM markets and thus questions designing the auction around the MOS service. |



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| | <p>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?</p> <ul style="list-style-type: none"> ○ Are there any other issues that the GMRG should be aware of in relation to this proposal? | <ul style="list-style-type: none"> ○ If a primary firm shipper is utilising only some of its capacity and the remaining is included in the day ahead auction, the primary firm shipper's imbalance allowance should be pro-rated according to the capacity it uses on the day. |
| 3.4 Contract path specification | | |
| 7. | Do you think a zonal or point-to-point contract path approach should be employed in the auction? | APLNG prefers point-to-point paths with zonal substitutable points. |
| 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>APLNG does not believe there should be an issue with:</p> <ul style="list-style-type: none"> ○ the CTP using zonal paths (to create the maximum possible pool of potential users) while the auction offering all potential available point-to-point options with zonal substitution (to assure auction bidders can be accommodated). |
| 9. | 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? | |
| 4.1 Calculation of auction quantity | | |
| 10. | 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 | <p>The calculation of the auction quantity could vary from the difference between the reserved capacity and the actual nominations. In the case of APLNG as shipper this includes:</p> <ul style="list-style-type: none"> ○ The reserved capacity is no longer indicative of the sustained capacity of the pipeline. ○ The capacity of the pipeline is mainly determined by APLNG's compression at the receipt and/or delivery end, thus service provider has limited ability to |



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| | identified? | <p>influence the capacity.</p> <ul style="list-style-type: none"> ○ The capacity of one pipeline can be influenced by the downstream pipelines' pressures on the day. |
| 11. | 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? | APLNG believes that auction capacity should be a higher priority than as available and interruptible even if their nominations have been received prior to the nomination cut-off. |
| 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? | The volumes allocated to the auction should be maximised such that service providers should employ a top down approach to scheduling. |
| 13. | Are there any other factors that service providers would need to take into account when calculating the auction quantity for each product? | Per the limitations on the way that data is reported for the SWQP and other bi-directional pipelines on the GBB, APLNG assumes that the Enhanced Rule change will correct this issue for the auction. APLNG further assumes that participants will know the standing backhaul amount for each pipeline with the backhaul product. |
| 14. | Are there any specific calculation issues that the GMRG would need to consider if the point-to-point approach is used? | |
| 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? | Service providers should be able to develop their own method so long as current shippers should be able to review and agree this methodology prior to approval by the AER. |
| 4.2 Auction format | | |
| 16. | Do you agree with the proposal to utilise a partial combinatorial auction? If not, please explain why? | Yes. |
| 17. | Do you think there is value in including the minimum requirement optional feature from market start, or do you think | As long as it does not delay the introduction of the day ahead auction, APLNG believes there is value to include the minimum bid requirements option from the market start. If it delays the introduction of the auction, it can be introduced later. |



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| | <p>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 | <ul style="list-style-type: none"> ○ With the minimum requirements, bidders will be able to prevent being allocated unusable amounts or partial amounts of one product but not for the full requested path. So long as this can be added without a delay to the start of the auction, the benefits should outweigh the costs. If the introduction of minimum bids would delay the start, it should be introduced within a reasonable time. ○ APLNG favours a bid-specific minimum requirement as this may vary by participant. APLNG prefers Option 2 (re-optimisation with next best solution) because it offers lower cost per unit prices and higher utilisation. |
| 18. | 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. | No, at least not with the initial auction introduction. If desired by participants (mainly for the Victorian market) this feature can be added later. |
| 19. | Do you agree with the proposal to include the static backhaul optional feature? If not, please explain why. | Yes, and this quantity should be published for each pipeline offering backhaul services. |
| 4.3 Reserve price | | |
| 20. | 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? | APLNG believes these cost should be recovered (in kind) through the GTA, which avoids having to value the gas. If the reserve price is adjusted, there could be large discrepancies on how/when the gas gets valued. |
| 4.4 Pricing rule | | |
| 21. | Do you agree with the proposal to adopt a pay-as cleared pricing rule? If not, please explain why. | Yes. |
| 22. | If you propose an alternative pricing rule, please provide details on how this rule could be implemented and whether or not the | |



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| | inclusion of minimum requirements and/or XOR sets would be problematic under this alternative rule. | |
| 23. | <p>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.</p> <ul style="list-style-type: none"> o 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. | Yes. |
| 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. | Yes, but if this starts to happen multiple times over the year possibly the sharing solution should be reviewed as a better solution. |
| 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. | Yes. |
| 26. | Do you agree with the proposal to use a random tie-break rule to determine winning bidders? If not, please explain why. | Yes. |
| 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. | Yes, this should be at the curtailed auction winner's option. |



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| 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. | The curtailed auction winner should be able to choose between 1) curtailment on the one product only 2) curtailment across all products on the winning bid and 3) switching to an alternate service level offered by the service provider (as per question 27). |
| 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. | At least initially, pro-rated with compensation when curtailed should be employed. As liquidity in the auction develops, more advanced methods that maximise value could be reviewed. |
| 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. | Yes. |
| 4.8 Information to be provided to auction participants | | |
| 31. | Do you agree with the proposal to: <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? | APLNG agrees with: <ul style="list-style-type: none"> ○ providing auction participants with information on the products to be auctioned and the quantities prior to the auction ○ providing auction winners with information on their winning bids and the clearing price for all products sold at the auction ○ publishing the auction quantities and clearing prices on the BB website. |
| 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 | APLNG prefers a published bid stack for transparency, but understands that liquidity may improve initially by not publishing the bid stack. As discussed, this should be one of the items reviewed by the AEMC at its biennial review. |



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| | are unlikely to affect the robustness of the auction. | |
| 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? | Yes, however where possible APLNG would hope that these timings can be condensed. . |
| 34. | What do you think should occur if: <ul style="list-style-type: none"> o a service provider is unable to provide AEMO with the auction quantity within the required timeframe? o AEMO experiences a system failure and is unable to conduct the auction within the required timeframe? | APLNG believes that: <ul style="list-style-type: none"> o if the service provider is unable to provide AEMO with the information, the pipeline/compression should be excluded from the auction. o AEMO should conduct the auction at a later time assuming that the pipelines involved can still accommodate the schedule for the next day. If not, the auction should be cancelled. |
| 5.2 Coverage of the auction | | |
| 35. | 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. | Yes providing that the recommended view regarding exemptions is also adopted. |
| 36. | 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? | Assume reference should be Table 5.3, no. Once commissioned, the Northern Gas Pipeline should be included. |
| 37. | 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? | APLNG believes that a broader application of the auction far outweighs any potential losses associated with individual pipelines. A broader application is the only way that the auction can assist with moving gas to where it is valued the most. |
| 38. | Do you agree that exemptions should be available to: <ul style="list-style-type: none"> o transportation assets that are not providing third party | APLNG agrees that exemptions should be granted to: <ul style="list-style-type: none"> o all transportation assets that are not providing third party access, which |



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| | <p>access? If not, please explain why.</p> <ul style="list-style-type: none"> ○ transportation assets that service a single facility? If not, please explain why? | <p>APLNG believes should also include pipelines subject to a 15 year no coverage decision and</p> <ul style="list-style-type: none"> ○ all transportation assets that service a single facility. <p>APLNG suggests that the same exemptions application that applies to the Pipeline Information and Arbitration Framework might also apply to the auction.</p> |
| 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. | Pipelines that fall below a minimum size and are not contractually congested should be reviewed on a case by case basis for an exemption to the auction. |
| 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. | No. |
| 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. | Yes. APLNG prefers the BB data exchange as it is already using this interface. |
| 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. | Yes. |
| 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. | Yes. |



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| 6.2.4 Cost recovery | | |
| 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. | Yes, assuming the GSH participants includes the Capacity Trading Platform as well. |
| 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. | Yes. |
| 47. | Do you think the cost recovery provisions should be specified in the NGR? | So long as the auction is covered by the GSH, APLNG assumes that this would not require a change to NGR 534 (1)? |
| 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? | APLNG has not identified any more than those listed in the Consultation Paper. |
| 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? | <p>APLNG questions if/why the auction legal and governance framework (including the Auction Agreement) cannot be included as a part of the existing GSH Exchange Agreement as it offers a very similar product (gas trading market versus gas capacity market). This would include many of the terms in Table 7.1. In addition, APLNG suggests the following clarification/change:</p> <ul style="list-style-type: none"> ○ Primary Shippers – As per APLNG's preference for Option 4, this provision should refer to shippers with firm renomination rights. |



PART B – Reporting Framework for Secondary Trades

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| 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>APLNG agrees with the suggested reporting requirements and would just clarify that the direction of all trades (exchange traded or bilateral) on bidirectional pipelines should be included.</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. | <p>APLNG agrees with the information set out in Table 8.1, but strongly notes that there are more terms that 'might reasonably influence the price' which definitely includes both of the items that were excluded:</p> <ul style="list-style-type: none"> ○ additional flexibility that might be provided to shipper ○ variations from the standardised operational, prudential and other terms that affect price. <p>APLNG believes that these should be included into the information to be reported.</p> |
| 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> | |
| 8.3 Reporting obligation for bilateral trades | | |
| 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> | <p>The obligation should fall on the seller.</p> |



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| | <ul style="list-style-type: none"> ○ the buyer? If so, please explain why. ○ both counterparties? If so, please explain why. | |
| 54. | 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>APLNG agrees with the GMRG's recommendation on reporting.</p> <p>APLNG further suggests that the requirement for bilateral trades to be posted (advertised) on the CTP ahead of execution should also be reviewed in the future.</p> |
| 55. | 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? | Shippers should be provided this flexibility, however the obligation still ultimately remains with the shipper should the agent not be successful. |
| 8.4 | Where information should be published | |
| 56. | Do you agree with the proposal to allow AEMO to publish information on: <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. | Yes and yes. |
| 9 | Governance arrangements | |
| 57. | Are there any other changes that you think will be required to the governance arrangements that have not been identified in Table 9.1? | No. |