



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.

Preface - Alinta Energy Note



The views expressed in Alinta Energy's feedback below are provided expressly in the context that the proposed day-ahead auction reforms would be implemented within NEM state jurisdictions only, and not within other Australian jurisdictions such as Western Australia or the Northern Territory.

In Alinta Energy's view the non-NEM jurisdictions have fundamentally unique gas markets, and as such the reforms proposed within this GMRG day-ahead auction work stream cannot be applied against the non-NEM jurisdictions on a like for like basis.

If the GMRG panel proposes to the COAG energy council that the day-ahead auction should be applied to jurisdictions other than NEM state jurisdictions, Alinta Energy's views expressed below should be dis-regarded.



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. 	Yes
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>	
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>In the context of the range of auction products proposed in the consultation paper, Alinta considers the adoption of a second priority firm auction product as suitable in theory. However, Alinta does have some operational concerns how the auction product may work in practise.</p> <p>As the operator of gas fired generation facilities in the National Electricity Market (NEM), Alinta remains concerned about the ability to acquire renomination rights on the gas day to response to rapidly changing and often unforeseen market events. Alinta's notes the AEMC's comments that "<i>shippers renominations have nearly always been accommodated in practise..</i>" even if there is not an explicit firm right to do so. In Alinta's view it remains essential that this common practise be maintained and that both firm and reasonable endeavours renomination rights remain preserved in the implementation of the day-ahead auction design.</p> <p>Operationally, a Gas Power Generator (GPG) Shipper submits bid in the day-ahead auction (D-1) to reflect their expected gas flow requirements on the following gas day (D). As outlined above, the NEM market may rapidly change intra-day in response to</p>



	Questions	Feedback
		<p>a range of factors, and subsequently the value of gas transport to the GPG Shipper may materially increase (intra-day). Under this scenario, the vast majority of firm but un-nominated gas volume may have already been sold (as auction participants secure capacity at potentially low cost, and with no corresponding obligation to actually flow the gas). In relation to this specific scenario Alinta would appreciate clarity with the following concerns:</p> <ul style="list-style-type: none"> • Will pipeliner's still be able to accommodate intra-day renominations over and above a GPG's firm contracted levels? i.e. will they have the ability to on-sell an auction winner's volume whom is not physically flowing gas? • Under this scenario, what mechanisms are available for a GPG participant to be able to access capacity on a day if they have not cleared enough volume in the auction and yet there is physically enough capacity available on the pipeline intra-day?
4.	Are there any other tools that you think should be available to auction participants to manage curtailment risk?	In Alinta's view it is currently difficult to determine when a particular service is at risk of curtailment, eg run 3 re-direction service at Wallumbilla. However in general Alinta is supportive of any tool or mechanism which increases transparency around curtailment risk.
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>Alinta's primary concern revolves around a GPG generator's ability to access capacity intra-day to respond to NEM market events. At face value, a 'reasonable endeavours' renomination right on the auction product seems an appropriate mechanism.</p> <p>Nonetheless, Alinta would appreciate clarity with how this would operate in practice in terms of interactions with other services a GPG Shipper needs to rely on to access intra-day capacity (specifically volumes required over and above firm contracted positions that have not been cleared in the D-1 auction).</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 	<p>It is worth noting that many smaller MOS providers can and do rely on the imbalance regime to provide MOS services.</p> <p>As such, any reduction to a primary shipper's absolute imbalance allowance will</p>



	Questions	Feedback
	<p>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?</p> <ul style="list-style-type: none"> ○ Are there any other issues that the GMRG should be aware of in relation to this proposal? 	<p>reduce their ability to provide MOS services. Given MOS offers are submitted on a monthly basis and the primary shipper's imbalance allowance will fluctuate day to day it will become increasingly difficult to provide these offers and the prices offered may increase given the risk that scheduled MOS may take a shipper outside their imbalance tolerance on any given day which incurs additional costs.</p> <p>This may subsequently have the effect of a less diversified MOS stack as the participants willing to provide the service may tend towards those parties who have relatively large and stable daily flows that are subject to a more certain imbalance allowance outcome.</p> <p>Alinta would appreciate attention being given to this issue. Potentially the MOS processes may need to be revisited in the near future if there is an unintended effect on this market as a result of changes to the imbalance regime.</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>Whilst supportive of the intention to increase liquidity in the auction product (which likely more broadly aligns with the zonal model approach), ideally Alinta considers that the same approach used in the trading platform should also be used in the auction.</p> <p>Alinta notes that the point-to-point contract path in the auction is simpler in terms of solving the auction outcome.</p>
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 	<p>In Alinta's view the publication of information at delivery points servicing market generating units does pose some privacy risk in terms of revealing intended generation plans where there is not sufficient diversity in participants accessing a delivery point.</p> <p>This could be addressed by either publishing aggregated information only at the zonal level and/or restricting access to data at specific delivery points to those who have a bona-fide interest in physically delivering gas to said delivery point. Alinta would appreciate the GMRG considering this potential privacy issue in greater detail.</p>



	Questions	Feedback
	how you think this could be addressed.	
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 identified?	
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?	
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?	
13.	Are there any other factors that service providers would need to take into account when calculating the auction quantity for each product?	As outlined in Alinta Energy's submission to the GMRG standardisation work stream: Care should be taken to ensure that all delivery points that will be subject to the auction are included in zones that are able to be traded on the capacity trading platform.
14.	Are there any specific calculation issues that the GMRG would need to consider if the point-to-point approach is used?	



Questions		Feedback
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?	
4.2 Auction format		
16.	Do you agree with the proposal to utilise a partial combinatorial auction? If not, please explain why?	Yes – of the options presented, in Alinta Energy’s view the partial combinatorial auction is the simpler of the auction types, and is easier to operationally submit bids.
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 	Alinta is of the view that this minimum requirement optional feature could be added over time if required.
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. However if the DWGM were to ever be included into the day-ahead auction scheme in the future, Alinta is of the view that this issue should be revisited then.
19.	Do you agree with the proposal to include the static backhaul optional feature? If not, please explain why.	
4.3 Reserve price		



Questions		Feedback
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?	Alinta is of the view that the SUG & compressor fuel costs should be recovered through the operational GTA with relevant safeguards in place (e.g. ability for service provider to be audited/provide evidence that they are recovering a fair and reasonable amount).
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 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. 	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
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	Yes



	Questions	Feedback
	explain why.	
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
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.	Yes
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.	In Alinta's view pro-rating is easiest curtailment option for the market to understand. Alinta suggests that this could be reviewed if is consistent & materially inefficient outcomes are observed when in operational practice.
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"> o provide auction participants with information on the products to be auctioned and the auction quantities prior 	



	Questions	Feedback
	<p>to the auction?</p> <ul style="list-style-type: none"> ○ 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? 	
32.	<p>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.</p>	<p>No – Alinta is of the view that the bid-stack should be published D+1 for gas day D.</p> <p>Given that increasing price transparency is one of the key objectives of the GMRG's work programme, Alinta suggests that the GMRG should be consistent with other facilitated gas markets (STTM and DWGM) and publish the bid stacks.</p> <p>Whilst Alinta notes the GMRG's view that the day-ahead auction may suffer low liquidity or gaming in its infancy, it is worth noting that the STTM currently includes smaller markets such as Adelaide and Brisbane which both have relatively small numbers of participants and a relatively low sensitivity to changes in volume. Nonetheless, these markets do not suffer from the gaming issues identified by NERA.</p> <p>In Alinta's view the fear of gaming strategies should be balanced and weighed against the benefits of providing participants with as much information as possible to assist them in managing an infinitely more complicated transport contracting landscape that introduces price and volume risk that they have not had to manage to such a degree previously.</p> <p>If the GMRG still deems it as too 'risky' to publish the bidstacks D+1, then Alinta advocates an approach of publishing price and volume sensitivity metrics to allow participants to be better able to understand risks involved in participating in the auction.</p>
4.9 Auction timing		
33.	<p>Do you agree with the proposed timing offsets for the auction related D-1 activities? If not, how long do you think should be</p>	<p>Theoretically the proposed timing offsets appear workable, that being; a trading strategy can be developed ahead of time with half an hour for any revisions based on the published auction capacity volume. However Alinta currently operates a 24x7</p>



	Questions	Feedback
	allowed for each activity?	<p>trading desk that has staff rostered on at night which makes such an arrangement possible.</p> <p>Alinta notes, that some other participants (particularly smaller participants) may struggle operationally if they don't run a 24x7 trading desk.</p>
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>In the event of system/IT failure Alinta suggest delaying the auction by a pre-determined amount of time (up to 1-2 hours) to allow time for Service Providers/AEMO to rectify the issue. If after this time the systems issues remain then the auction should be cancelled and remaining capacity should be made available by Service Providers at the previous days cleared price once systems are back online.</p> <p>In Alinta's view it is not practical to delay the auction by any more than a few hours as this would result in nominations commencing at 9:45pm. This is feasible for organisations with 24x7 trading desks but any later will prove onerous for smaller participants. This time seems reasonable as it is a similar time that the DWGM 10pm schedule is released which participants are likely to be monitoring.</p>
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
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?	<p>In Alinta's view only the major pipelines, connected to major pipeline arteries which are a) currently servicing major hubs and demand centres, and also, b) providing third party access should be included in the auction.</p> <p>As correctly outlined by the GMRG panel, in Alinta's view there appears to be little additional value of covering certain single facility pipelines in the auction at this point in time. The administrative cost of conducting an auction on smaller single facility pipeline is likely to significantly outweigh any potential benefits arising from coverage, and thus it appears counterintuitive to include them at this point in time. This is especially true for single GPG facility pipelines.</p>



	Questions	Feedback
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>	<p>Yes</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>Yes, as consistent with the Part 23 of the NGL (Access to non-Scheme Pipelines) Exemptions, Alinta agrees with the GMRG's view that exemptions should exist both for pipelines serving single facilities and for those not currently providing third party access.</p> <p>Additionally, in Alinta's view only the major pipeline arteries which are currently servicing major hubs and demand centres should be included in the auction. The administrative cost of conducting an auction on smaller single facility pipeline is likely to significantly outweigh any potential benefits arising from coverage, and thus it appears counterintuitive to include them at this point in time. This is especially true for single GPG facility pipelines.</p>
39.	<p>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>	<p>Yes, in Alinta's view there appears to be little additional value of pipelines within the auction scheme that fall below the defined minimum sized threshold and are not contractually congested. The administrative cost of conducting an auction on these smaller pipelines likely to significantly outweigh any potential benefits arising from coverage, and thus it appears counterintuitive to include them at this point in time.</p> <p>This is especially true for standalone GPG pipelines which service a single facility.</p>
40.	<p>Are there any other exemptions that you think should be provided for? If so, please explain what they are and why they are required.</p>	



Questions		Feedback
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
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?	<p>Yes. In Alinta's view service providers will need to invest non-trivial amounts of capital into their existing IT systems in order to comply with any potential auction platform. This may especially be true for GPG pipelines where the core business of the participant is as a generator and retailer of electricity and gas and not as a pipeline operator.</p> <p>Consistent with the responses above, Alinta suggests that exemptions should be granted for smaller pipelines whom are not connected to any major pipeline arteries or demand hubs, are serving single facilities, and are not currently providing third party access.</p>
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
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.	



	Questions	Feedback
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.	
47.	Do you think the cost recovery provisions should be specified in the NGR?	
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 Error! Reference source not found. ?	



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>	
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>Alinta does hold some some privacy concerns in relation to the anonymity of counter parties. In relation pipelines which are connected to single service facilities; in theory it may be possible for the market to ascertain certain aspects of a GPG's running profile, by studying the secondary pipeline data provided through reports.</p> <p>Alinta is of the view that wherever possible, and specifically for single service pipelines, data should be aggregated and reported on the zonal level to provide adequate anonymity for protections and to avoid the inadvertent disclosure of commercially sensitive information.</p>



	Questions	Feedback
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> <ul style="list-style-type: none"> ○ the buyer? If so, please explain why. ○ both counterparties? If so, please explain why. 	Yes
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>	
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>	In Alinta's view third party reporting should be allowed, however the obligation to accurately report should remain with the relevant shipper.
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. 	Yes
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 Error! Reference source not found.?</p>	