3 November 2017

Gas Market Reform Group
Submitted by email to enquiries@gmrg.coagenergycouncil.gov.au

Dear Gas Market Reform Group

Day-Ahead Auction of Contracted but Un-Nominated Capacity and Reporting Framework

Thank you for the opportunity to provide comments on the Gas Market Reform Group (GMRG)'s "Day-Ahead Auction of Contracted but Un-Nominated Capacity and Reporting Framework" (Consultation Paper).

In this submission we outline our position on some of the key issues raised in the Consultation Paper. We also provide our responses to the GMRG's specific questions in the completed stakeholder feedback form in Appendix 1.

About ERM Power

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load, and is the only energy retailer licensed to sell electricity in all Australian states as well as the Northern Territory and the Australian Capital Territory. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company's existing and new customer base. ERM Power also sells electricity in several markets in the United States. The Company operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland.

ERM Power is an east coast gas market participant and a domestic gas user. We own and operate the gas-fired Oakey Power Station in Queensland, retail gas to commercial and industrial customers in Victoria and trade gas across the east coast grid. We are a trading participant in the DWGM (Victoria), the Brisbane and Sydney Short Term Trading Markets and the Wallumbilla Gas Supply Hub. In Western Australia we operate and have equity interests in the gas-fired Neerabup Power Station.

General comments

At a high level ERM Power supports the direction of the capacity trading reforms. We are optimistic that the day-ahead auction, together with the other reforms in this area, will have the potential to enhance gas users' access to more efficiently priced transportation capacity and improve the ability of market participants to optimise trading positions.

We are unconvinced however, that the capacity trading reforms will lead to materially higher levels of gas trading or more robust reference prices for gas (as envisioned by the GMRG)[1], in the absence of

[1] Consultation Paper, last paragraph on page 5

any major reforms to address the more serious issues affecting the gas commodity markets. Lack of competition on the supply side, state based restrictions on gas exploration and production, and the absence of a compulsory and transparent wholesale gas spot market that mandates participation by all buyers and sellers, are factors that are limiting liquidity in the east coast gas markets.[2] None of these issues are directly being addressed by the current reform package.

Application to WA

We note the comment in the Consultation Paper that the GMRG considers there would be merit in implementing the same reforms in WA and the NT (although the relevant governments and the Energy Council would be responsible for any such decision).[3] While covering the NT would seem to be a logical suggestion (once the Northern Gas Pipeline is established and NT is connected to the east coast gas market) we question the relevance or need for such reforms to be implemented in WA, given its separation from the east coast gas market and the absence of any known issues regarding liquidity and competition in the WA gas market. Any moves to implement these reforms in WA needs to be considered in the particular context of the WA market.

Insufficient time allowed for consultation

We understand that the GMRG commenced work on the reforms at the start of 2017 and had originally been working to deliver its recommendations by the end of 2018. This deadline was then brought forward (as a result of a request from the government) to December 2017. While we appreciate the fact that the GMRG is trying to work to this revised accelerated timetable, a four week consultation period on the material is unreasonably short. The reforms contemplated by the Consultation Paper are far reaching in their potential impacts and the material is highly technical and complex. We expect that most stakeholders would value having more time to understand the proposed concepts, assess the impacts and determine a position on the key issues.

We suggest that the GMRG consider recommending to government an extended timeline that involves development of *draft* recommendations after the current round of consultation, followed by a 6 week period of further public consultation (longer if this coincides with public holidays) before finalising its recommendations to government. Whether this extended consultation timeframe will result in the reforms being implemented two to three or even six months later will not make any material difference to the market. It is more important to ensure that the design of the reforms is not rushed and stakeholders have adequate time to assess the proposals and provide input.

Comments on the technical aspects of the Consultation Paper

Defining the Auction Product

Question 3 – Do you agree with the proposal to adopt a second priority firm auction product? It not, 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.

[2] While there are various facilitated trading markets in operation such as the STTMs and the DWGM, these markets do not mandate participation by primary sellers (i.e. producers) and they do not capture the main gas flows in Queensland. The Gas Supply Hub at Wallumbilla is voluntary, hence does not provide visibility of all trades and does not compel gas to be priced and bid in at all times. We recommend a mandatory east coast wholesale gas market (with a design similar to the NEM) be considered as a longer term reform, in order to improve transparency, maximise liquidity and provide the foundation for the development of a forwards market and financial derivatives market.

[3] Consultation paper, page 8.

Question 4 – Are there any other tools that you think should be available to auction participants to manage curtailment risk?

Question 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.

Auction product should be as firm as possible

ERM Power supports the principle that the auction product should be as firm as possible to ensure that buyers have confidence in the product and to encourage participation in the auction. We also agree that the existing contractual rights of shippers with firm capacity should not be adversely impacted.

We therefore support the GMRG's preliminary position that the auction product should be defined as a second priority firm product, subject to the points we make below regarding curtailment.

Auction product should only be curtailed where there is a physical constraint and lower priority products have already been curtailed

We do not agree with the GMRG's preliminary position that the auction product should be curtailed if the amount of "contracted but un-nominated capacity" as calculated after the auction becomes less than the capacity sold in the auction due to firm shippers renominating upwards after the auction, and despite there being spare physical capacity on the pipeline. To the extent physically feasible and subject to meeting firm shipper nominations as a first priority, the pipeline operator should be required to satisfy all nominations made by auction product holders.

If there is a risk that an auction product can be curtailed simply due to firm shippers renominating upwards on a day (despite there being physical available capacity), buyers will have little confidence in the reliability or usefulness of the auction product. This will discourage participation in the auction.

We therefore do not agree with the priorities set out in Box 3.3 of the Consultation Paper, nor the GMRG's suggestion that if auction winners are curtailed (due to firm shippers renominating upwards on a day) auction winners should attempt to minimise the adverse impacts of curtailment by procuring an as available or interruptible product from the pipeline operator. This approach degrades the quality of the auction product. It exposes auction participants not only to increased risks of being curtailed due to renominations by their competitors, but also to increased and unexpected costs if on the Gas Day they are now required to pay a price higher than the auction clearing price (i.e. for an interruptible or as available service). This can adversely impact the economics of decisions made on the basis of a participant's auction bid and/or clearing price.

In addition, given the ACCC east coast gas inquiry finding that on some pipelines the pricing of as available and interruptible services is excessive and adversely impacting efficiency,[4] the auction price would seem to be a more appropriate price payable by the auction winner in the circumstances described above.

Auction participants should only have to consider whether to purchase interruptible or as available services in the scenario where they have a requirement for capacity that has not been satisfied by the auction and where there is spare capacity available on the pipeline.

[4] Inquiry into the East Coast Gas Market, April 2016, Chapter 6.

The auction product (nominations or physical take on the day) should only be subject to curtailment in the event that the pipeline is physically constrained and after lower priority products have been curtailed.

If auction winners are prevented from utilising their capacity purchased from the auction on a day, they should receive a rebate for the amount payable in the auction (response to Question 29).

Rules will need to be established to limit gaming behaviour

While we consider the second priority firm product to be preferable over the other options presented by the GMRG, we do have a few concerns. As acknowledged by the GMRG there are potential gaming issues. For instance, firm shippers may deliberately re-nominate upwards on a day in an attempt to bump off auction winners, causing auction winners to face additional costs if they are left with stranded gas and unable to meet their delivery commitments. This risk is exacerbated under the GMRG's preliminary position on the approach to curtailment. There is also a risk that firm shippers over-nominate their capacity requirements prior to the auction to restrict the amount of capacity made available in the auction. In addition, it is possible for bidders to attempt to purchase spare capacity to block access by others (although this may not be an effective game given that if such capacity is bought in the auction but not used, other shippers will still be able to access the capacity on the day via an interruptible or as available service). Given these potential issues, ERM Power strongly supports the establishment of rules around market conduct aimed to minimise gaming behaviour.

Limitations of the day-ahead auction and second priority firm product

ERM appreciates that there is no perfect model, and on balance what is being put forward by the GMRG as its preliminary position (notwithstanding our comments on the product definition and our concerns about the proposed approach to curtailment) seems to be a reasonable approach. However in our view some of the day-ahead auction's benefits are being over-stated. We believe that the limitation of the proposals should be made clear when presenting the final recommendations to government decision makers and other stakeholders.

Day-ahead auction does not improve the incentives to firm shippers to sell spare capacity prior to the auction

We do not agree with the GMRG's assertion that the second priority firm product will provide shippers with firm capacity rights "*a relatively strong incentive to sell any spare capacity they have prior to the auction*" (page 33). From our perspective, the auction does not alter the incentives for selling spare capacity relative to the status quo, as shown by the comparison below.

	Current situation	**Under the auction**
Buyer access to lower priority capacity	Lower priority capacity (non-firm) is available for purchase from the pipeline operator and pipeline operators receive payment for these services.	No change (other than the ability to now buy the lower priority product through the auction). Pipeline operators still receive payment.
Buyer access to firm secondary capacity	Firm shippers and buyers are free to trade any firm contracted capacity at any time and firm shippers receive payment for their capacity sold.	No change.

	Current situation	Under the auction
Attractiveness of secondary firm capacity product vs less firm product purchased from pipeline operator	Buyers should find the firm secondary capacity product (purchased from firm shippers) more attractive than the lower priority product purchased from the pipeline operator.	No change (other than the lower priority product being able to be purchased through the auction).
Incentives provided to buyers and sellers	In theory, sellers and buyers should have an incentive to trade firm capacity given sellers would receive payment and buyers would access a firm product.	No change.
Reasons why firm shippers may not be interested in selling spare firm capacity despite the incentives described above	If firm shippers are not currently selling spare capacity, this is likely to be driven by a range of one or more factors, including a desire to retain optionality on the Gas day (i.e. to increase their nominations if required), administrative costs, low financial reward, or a desire to block access by others.	Auction itself does not change any of this. It is possible that the other reforms underway e.g. capacity trading platform, may lower administrative costs and encourage secondary trading (to the extent that administrative costs are deterring trading).

The only real difference provided by the auction, is that buyers may be able to access some secondary capacity at a potentially more reasonable price (given the zero reserve price). The auction itself does not change or strengthen the incentives to firm shippers to sell spare capacity before the auction.[5]

The only way that secondary capacity trading could be directly encouraged by the auction is if the design contains a "use it or lose it" element, for instance if all firm capacity not nominated by the nomination deadline is revoked from firm shippers and auctioned off. We acknowledge that this is not consistent with the AEMC's "required outcome" that renomination rights be accommodated by the auction. We also agree that this approach contains complexity and raises other issues, for instance, how to prevent firm shippers from over-nominating prior to the auction to minimise the amount of capacity revoked from them. Retaining optionality (to change nominations on the Gas Day) is also a rational commercial strategy and in some cases (e.g. for gas fired generation) very necessary.

We are therefore not suggesting that a use it or lose it approach be adopted, however we would like to clarify to the GMRG our view that the day-ahead auction itself is unlikely to encourage secondary trading of capacity prior to the auction .

Allocating capacity to its highest value

None of the auction product designs put forward will be completely effective at allocating capacity to its highest value[6], because the auction timing forces decisions to be made on the day prior to the Gas Day. For gas fired power generators, demand on a day can be significantly different from forecast demand, due to a range of factors such as changes in weather, unplanned outages in the NEM or transmission constraints. The fact that demand can change significantly means that the nominations

[5] The capacity trading platform may provide more incentives for secondary trading of capacity relative to the status quo, by making it administratively simpler to trade and reducing transaction costs.
[6] This is one of the factors considered by the GMRG (Consultation Paper, page 18).

made on the day before the Gas Day (both by firm shippers and also by auction winners), are likely to be subject to revision on the day, and if so, the auction's calculation of available capacity, as well as the quantity allocated through the auction, will not be efficient. This limitation should be recognised.

Holding the auction on the Gas Day will result in a more efficient allocation of capacity, however we understand that this approach may not be technically feasible for scheduling purposes.

Contract path specification

> **Question 7 –** Do you think a zonal or point to point contract path approach should be employed in the auction?

ERM Power believes that more details are needed (and more consultation required with stakeholders) to allow us to form a view on the preferred form of contract path. This question would seem to be more appropriately considered during the project's detailed design phase.

Whichever the approach adopted, ERM's view is that information about contracted but un-nominated capacity at delivery points servicing a gas fired generator (GPG) is commercially sensitive and should not be published. Disclosure of such information would inform the GPG's competitors of the GPG's other arrangements for gas on the Gas Day and would have a detrimental impact on the competitive position of the GPG in the NEM.

Therefore at a high level and subject to gaining a more detailed understanding of each of the approaches, we would support either a 1) a zonal approach that presents all information on an aggregated basis, or 2) a point to point approach where information is not disclosed for points at which there is a single user. It could be possible to adopt a combination of a point to point and zonal approach. For instance, shippers could still make bids on a point to point basis, but information about auction quantities could be made available on a zonal or aggregated basis.

As an observation, the point to point approach seems to assume that all GTAs are structured the same way in that an MDQ is assigned to each Delivery Point and each MDQ is independent of the other MDQs. This may not be the case, for instance in addition to individual Delivery Point MDQs some GTAs could specify an aggregate MDQ applying to a range of delivery points (i.e. the available capacity at one point could be dependent on the usage at another point). If so, the point to point approach put forward in the Consultation Paper (that involves calculating for each point, the total MDQ less nominated quantities) to determining contracted but un-nominated capacity may not be workable.

Reporting of information

> **Question 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?

ERM does not support the proposal to require public disclosure of the details of trades that are still live or that cover a forward period. Such information is commercially sensitive. Trades should only be reported if the delivery period under a trade has concluded. Even if shipper identities are not explicitly revealed in the reporting process, and trades are reported by receipt and delivery zone rather than receipt and delivery point, it is still possible for identities to be deduced based on volume and zonal information, given the small number of players in the market. Disclosure of such information would be particularly damaging for gas fired generators in the NEM, where public disclosure of trade details specific to a generator would reveal to its competitors information about its strategies and forward positions.

We also do not support the proposal to require reporting of trade information on a trade by trade basis. This approach would be administratively cumbersome. The requirement should be on a monthly basis to minimise administrative costs.

If the reporting framework fails to adequately protect commercial sensitive information or is onerous, shippers will be discouraged from undertaking secondary capacity trades, which is not consistent with the intent of the reforms. Parties may also attempt to structure trades in in a way so as to circumvent the reporting requirements. This would result in inefficiencies and undermine the intent of the reforms.

Thank you for considering our comments. Please feel free to contact me if you have any questions or would like to meet to discuss our views presented in this submission.

Yours sincerely

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Appendix 1 – Stakeholder Feedback Template

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

	Questions	Feedback
3.1	Transportation products auctioned	
1.	1. Do you agree with the proposal to include the following products in the auction: ○ 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.	Agreed
2.	Do you agree with the proposal to include an interruptible backhaul service in the auction for single direction pipelines? If not, please explain why.	Agree with the concept however more details are needed on the potential issues arising from this approach.
3.2	Priority of the auction product	
3.	2. Do you agree with the proposal to adopt a second priority firm auction product? If not: ○ 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.	Yes, with qualifications - refer to our response to this question in our main submission.
4.	Are there any other tools that you think should be available to auction participants to manage curtailment risk?	Refer to our response to this question in our main submission.
3.3	Other elements of the auction product	
5.	Do you think the auction product should have: ○ 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.	Agreed Regarding renominations, a holder of firm capacity purchased from the auction should have the same renomination rights as other shippers – up to the purchased MDQ.

	Questions	Feedback
6.	Do you think the auction product should have an imbalance allowance equivalent to that specified in the service provider's operational GTA? ○ 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?	If the shipper has a GTA with the service provider that contains a mechanism for handling imbalances or that provides for a park/loan service, any imbalance arising from the auction product should be dealt with via these existing mechanisms.
3.4	Contract path specification	
7.	Do you think a zonal or point-to-point contract path approach should be employed in the auction?	Refer to our response to question 7 in our main submission.
8.	If you think a point-to-point approach should be employed, do you have any concerns with: ○ 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.	As above.
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?	As above.
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?	This requires feedback from service providers. Service providers should develop a proposal for stakeholder consideration. There could be contractual specifics that influence that calculation. E.g. the GMRG calculation suggested seems to be based on the assumption that all GTAs are the same (i.e. assumes firm capacity is allocated the same way under each contract across

	Questions	Feedback
		all delivery points). We are not sure whether that is the case. For instance, some shippers might have firm MDQ specified per Delivery Point with no aggregate MDQ. Other shippers might have an aggregate MDQ constraint applying across all Delivery Points. Also refer to our response to question 7 in our main submission.
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?	No.
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?	Do not agree to define auction product as a second priority as available or interruptible product.
13.	Are there any other factors that service providers would need to take into account when calculating the auction quantity for each product?	No comment.
14.	Are there any specific calculation issues that the GMRG would need to consider if the point-to-point approach is used?	Refer to response to question 10.
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?	It depends on the range of methods, the rationale for those methods and the pros and cons. Not currently in a position to comment.
4.2	Auction format	
16.	Do you agree with the proposal to utilise a partial combinatorial auction? If not, please explain why?	Yes, this is simpler than the alternative model put forward and less costly to implement.
17.	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?	Yes, a minimum requirement (specified by individual shippers for each bid) would be beneficial. Or, shippers could be permitted to indicate on their bid, "All or none" rather than a minimum requirement (similar to the approach adopted in the GSH). If "All or none" is not specified then the shipper could

	Questions	Feedback
	○ 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	be cleared for part of its bid quantity.
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.	Do not think this is required in the initial phase. This feature could be parked and considered after a few years of operation of the auction.
19.	Do you agree with the proposal to include the static backhaul optional feature? If not, please explain why.	Yes
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?	Costs should be recovered through the operational GTA. We are also unclear which pipelines (and how many) this issue applies to.
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, we support a pay-as cleared pricing rule. We don't support pay as bid for the reasons outlined by the GMRG in its consultation paper.
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.	NA
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.	Agreed

	Questions	Feedback
	○ 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.	
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. These features can be reviewed for their effectiveness a few years after operation of the auction.
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.	Unclear what this means. We support the pay-as cleared rule, i.e. shippers who value (via the bid price) capacity higher than the clearing price, are allocated capacity in the auction.
26.	Do you agree with the proposal to use a random tie-break rule to determine winning bidders? If not, please explain why.	Agreed.
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.	We do not agree with the proposed approach to curtailment - refer to our response to Question 27 in our main submission.
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, auction winners should have a choice. They may still be able to utilise products on other transportation legs and should be given the opportunity to make the decision.
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.	Agreed. Curtailment risks depends on the product design and priority. Curtailment risk should be minimised to the extent possible.
4.7	Allocation of the auction residue	

	Questions	Feedback
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.	Agreed
4.8	Information to be provided to auction participants	
31.	Do you agree with the proposal to: ○ 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?	Refer to our main submission and response to question 7. Depends how the product is defined – i.e. point to point products or zonal products? Commercially sensitive information including “contracted but un-nominated capacity” at a GPG specific delivery point (or other DP’s serving a single user) should not be publicly disclosed, particularly prior to the gas day end. Where possible, information should be aggregated e.g. presented by zone or pipeline/direction of pipeline flow. Agree that auction winners need to be given information about their own winning bids and clearing prices.
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.	Agreed.
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?	Acceptable.
34.	What do you think should occur if: ○ 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?	A default quantity should be calculated – e.g. the average capacity available for auction over the last 7 days. If there is a system failure then the auction should be cancelled. AEMO should be given performance standards.
5.2	Coverage of the auction	

	Questions	Feedback
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.	Agreed – it is important to capture all such transmission pipelines. We agree with the reasoning set out in the consultation paper.
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?	No comment.
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?	No comment.
38.	Do you agree that exemptions should be available to: ○ 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?	Agreed.
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.	No, all pipelines that meet the GRMG's broader criteria should be captured.
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 comment.
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.	It is a reasonable approach to leverage off existing systems in order to minimise costs.
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?	No comment.

	Questions	Feedback
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.	Agreed.
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.	Agreed.
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.	Agreed.
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.	Agreed.
47.	Do you think the cost recovery provisions should be specified in the NGR?	Agreed.
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 *Standardisation Related Reforms and the Capacity Trading Platform Consultation Paper* to accommodate the auction product?	No comments.
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?	No comments.

PART B – Reporting Framework for Secondary Trades

	Questions	Feedback
8.1	**Types of trades to be reported**	
50.	Do you agree with the proposal to specify that the reporting framework will apply to the following types of secondary trades: ○ 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? Or do you think that there are other types of secondary capacity trades that should be reported?	Refer to our response to question 54 in our main submission.
8.2	**Information to be reported**	
51.	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: ○ 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.	Agree with project team's view.
52.	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.	No comments, but information should only be published after delivery period has ended. Refer to response to Question 54 in our main submission.
8.3	**Reporting obligation for bilateral trades**	
53.	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: ○ the buyer? If so, please explain why. ○ both counterparties? If so, please explain why.	Agreed, one party only should report. Seller is ok.

	Questions	Feedback
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?	Do not agree. Refer to response to Question 54 in our main submission.
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?	Agreed.
8.4	Where information should be published	
56.	Do you agree with the proposal to allow AEMO to publish information on: ○ 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.	Agreed, subject to trades only being published after the delivery period has ended. Refer to our main submission and response to question 54.
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 comment.