

8 November 2017

Gas Market Reform Group
c/o Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

(via email: enquiries@gmrq.coagenergycouncil.gov.au)

RE: DAY-AHEAD AUCTION OF CONTRACTED BUT UN-NOMINATED CAPACITY & REPORTING FRAMEWORK – CONSULTATION PAPER

Dear Dr Vertigan,

GLNG Operations Pty Ltd (GLNG) welcomes the opportunity to provide the following submission in respect of the *Day-Ahead Auction of Contracted but Un-Nominated Capacity & Reporting Framework (the Day-ahead Auction Paper)* released by the Gas Market Reform Group (GMRG) on 10 October 2017.

GLNG acknowledges the rationale for the Day-ahead Auction Paper, which in the *East Coast Review* the Australian Energy Market Commission (AEMC) noted that the overarching objective of the day-ahead auction is *to improve the efficiency with which short-term transportation capacity is allocated and used*. This is to be achieved by making contracted but un-nominated capacity available on a daily basis to shippers that might value it and aims to facilitate access on reasonable terms to services provided by transmission pipelines and compression facilities linking major demand and supply centres (**Auction Proposal**).

GLNG recommends the following amendments to the processes in the Day-ahead Auction Paper and processes consistent with the objectives of AEMC set out in Attachment 1, Stakeholder Feedback Template.

Existing re-nomination rights

GLNG strongly agrees with recommendations of the AEMC and the GMRG where existing re-nomination rights - including all both firm and reasonable endeavours - should remain whole. This has been stated and recommended by the AEMC as a *required outcome*, covering nominations or renominations by incumbent shippers that occur after the auction is conducted should be accommodated in full and that the auction product be curtailed prior to firm capacity.

The AEMC also expressly mentioned that whilst some renomination rights are *reasonable endeavours* there is significant value attached to this right due to the actual gas transportation requirements vary compared to their forecast requirements made at the nomination cut-off time.

It should also be noted that in many instances the difference between the contractual term of “firm” and “reasonable endeavours” is to cover for any operational issues that may occur on the pipeline or compression facility, certainly not that it is a lower contractual priority. GLNG notes the clear identification of *reasonable endeavours* by AEMC, however this is not directly identified by the GMRG hence this raises concern as to retaining the rights of foundation shippers on both pipelines and compression.

Coverage

GLNG is concerned by the GMRG's recommendation of the Auction Proposal, in particular with respect to the potential that it apply to pipelines that are subject to no-coverage determinations or single facility or not fully contracted pipelines, and, on the face of it, the limited analysis of the material policy and commercial issues associated with the Auction Proposal.

GLNG makes three submissions that:

- a) infrastructure that is the subject of a no-coverage determination under the National Gas Law (NGL) should not be subject to the Auction Proposal or any reforms implemented in relation to it. Whilst the GMRG acknowledges this point, GLNG is concerned it did not recommend directly exempting infrastructure based on no-coverage determination.
- b) GLNG supports the GMRG's view that transportation infrastructure that is not available for third party access should not be subject to the Auction Proposal or any reforms implemented in relation to it. GLNG notes that the GMRG raised this in the Consultation paper to be implemented as an exemption by application, rather than a direct exemption through exclusion in the National Gas Rules (NGR).
- c) GLNG supports the GMRG's view that pipeline and compressor infrastructure which is developed primarily for the purpose of, or is primarily dedicated to, servicing a single project should not be subject to the Auction Proposal or any reforms implemented in relation to it. GLNG recognises that the GMRG has identified this rationale in its Consultation Paper, and GLNG makes observations to support this in Attachment 1. GLNG notes that the GMRG raised this in the Consultation paper to be implemented as an exemption by application, rather than a direct exemption through exclusion in the NGR.

GLNG considers an auction mechanism which does not exempt these categories of transportation assets would materially deter efficient investment in pipelines and associated infrastructure, and adversely impact the value of substantial investments that have already been made in pipelines and the projects that depend on them.

GLNG strongly recommends exemption is via direct exemption through exclusions captured in the NGR rather than exemption via application, as currently proposed due to the considerable administrative burden and lack of investment certainty.

However, exempting these categories of transportation assets, pipelines and compression infrastructure, would promote the National Gas Objective and be consistent with the AEMC's terms of reference for the East Coast Wholesale Gas Market and Pipelines Framework Review.

Priority

GLNG strongly believes that the Auction Proposal as designed, which schedules firm auction capacity higher than existing foundation shippers capacity, dis-incentivises any foundation shippers from taking positions to underwrite new pipelines or compression facilities. This will result in a subsequent negative impact on foundation infrastructure, more acutely infrastructure with 'no coverage' or primarily single facility infrastructure.

GLNG recognises the auction product does need to be of a reasonable quality to make it an attractive alternative to other non-firm products, however this must not be at the expense of the current contractual rights of firm shippers, specifically the ability for intraday renominations (as mentioned above).

Therefore if the *reasonable endeavours intraday renomination* is retained above the auction product, then the *secondary priority firm* (Table 3.1 Option 1) maybe a compromise between protecting the value of firm capacity and driving change in the non-firm capacity market. If *reasonable endeavours intraday renomination* is not retained above the auction product then GLNG can only support *Second Priority Interruptible Auction Product* (Table 3.1 Option 3) as this ensures the foundation shippers remain whole with respect to their existing contractual rights.

GLNG submitted a response to the initial version drafted by the AEMC of the *Day-ahead Auction of Un-nominated Capacity* in April 2016 covering the areas that should be exempt in response to the *AEMC Stage 2 Draft Report: East Coast Review*. This contains additional background on GLNG infrastructure and the potentially unintended consequences of the Day-ahead auction proposal and the criticality of the appropriate exemptions, refer attachment 2.

We would welcome the opportunity to discuss these recommendations ahead of the conclusion of the GMRG review. Please contact Vanessa Taylor from GLNG via email on Vanessa.taylor@glng.com or via telephone on (07) 3838 3009.

Yours sincerely,



Rod Duke
Chief Executive Officer
GLNG Operations Pty Ltd

Attachment 1 Stakeholder feedback template

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. | |
| 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 | <ul style="list-style-type: none"> GLNG believes the auction product should have the lowest priority and should not be considered a firm product; to ensure all contracted volumes including firm, as-available and interruptible have higher priority and are protected. GLNG believes that firm capacity should always rank higher than all other capacity products. The purchase of firm capacity effectively underwrites the construction of the pipeline, therefore firm capacity |

| | Questions | Feedback |
|--|--|---|
| | framework set out in section 2.3 than the second priority firm auction product. | <p>and all of its terms and conditions - including all forms of renomination rights both firm and reasonable endeavours - should be honoured.</p> <ul style="list-style-type: none"> Therefore GLNG agree that if all intraday renomination rights - firm and reasonable endeavours - are allowed then the <i>secondary priority firm</i> is a fair balance between protecting the value of firm capacity and driving change in the non-firm capacity market. If these intraday renomination rights are not allowed then GLNG strongly endorses the <i>Second Priority Interruptible Auction product</i> as described in Table 3.1 Option 3. |
| 4. | Are there any other tools that you think should be available to auction participants to manage 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. | |
| 6. | <p>Do you think the auction product should have an imbalance allowance equivalent to that specified in the service provider's operational GTA?</p> <ul style="list-style-type: none"> What, if any, effect do you think this would have on a MOS provider's ability to provide balancing services in the STTM? If you think it will be problematic, are there any measures that you think could be employed to address this issue, while also providing auction | <p>The auction product must have an imbalance tolerance, and as contended since it should be the lowest priority product, then any imbalances on a day should first be allocated to the auction product.</p> |

| Questions | | Feedback |
|--|--|---|
| | <p>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? | |
| 3.4 Contract path specification | | |
| 7. | Do you think a zonal or point-to-point contract path approach should be employed in the auction? | |
| 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. | |
| 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 | There are significant other complexities that need to be taken into account. Firstly, the auctioned capacity must only ever have a last-on first-off priority, it must only be shipped if all other contracted volumes both with firm, as-available and interruptible before day and intraday rights are met. Any auction-able volumes must take into account contracted reliability, line pack requirements, intraday nomination rights, park and loan services. |

| | Questions | Feedback |
|--------------------|---|--|
| | 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? | Yes, any nominations for contracted products including as-available or interruptible products that are nominated ahead of the cut-off must be included in the calculation providing those nominations access to the capacity ahead of the auctioned volumes. |
| 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? | Any auctioned right should have the lowest level of priority with all contracted rights including interruptible and as-available holding a higher right, particularly consideration for intraday renomination both firm and reasonable endeavours. |
| 13. | Are there any other factors that service providers would need to take into account when calculating the auction quantity for each product? | GLNG agrees there is a requirement for operational line pack, or park and loan service obligations to contracted customers to be taken into account when calculating the auction quantity. In terms of compression, the reliability of contracted compression service must be taken into account to ensure the firm service for the contracted party is not compromised. |
| 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? | |
| 4.2 Auction format | | |

| Questions | | Feedback |
|-------------------|---|----------|
| 16. | Do you agree with the proposal to utilise a partial combinatorial auction? If not, please explain why? | |
| 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"> o 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? o If a minimum requirement is adopted (either from market start or later), which combination of minimum requirement (global or bid-specific) and allocation mechanism (option 1 or 2) do you prefer and why? The GMRG is particularly interested in stakeholders' views on the impact on bidders and efficiency as well as potential gaming opportunities with any of these combinations | |
| 18. | 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. | |
| 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? | GLNG recommends service providers should not be required to provide compressor fuel instead it should be on a case by case basis depending on the preference of the service provider ie either user provides fuel or compensation of cost of fuel. |
| 4.4 Pricing rule | | |
| 21. | Do you agree with the proposal to adopt a pay-as-cleared pricing rule? If not, please explain why. | |
| 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. | <p>GLNG notes there is an issue with the pricing structure particularly as AEMO costs are cleared from the lowest price then the shipper or pipeline is compensated where this may be materially reduced by the AEMO charges. Instead, GLNG recommends that the price is set at the price plus the AEMO charges.</p> <p>More generally, GLNG recommends that the floor price of the auction product includes both the fuel costs plus the variable operations and maintenance costs.</p> |
| 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. | |

| Questions | | Feedback |
|---|---|--|
| 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. | |
| 26. | Do you agree with the proposal to use a random tie-break rule to determine winning bidders? If not, please explain why. | |
| 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. | |
| 28. | Do you think that auction winners should be able to choose whether they are only curtailed on the product for which there is insufficient capacity or across all products? If not, please explain why. | Curtailment should be specific to a product. If an auction winner is using associated products (for example auction capacity on an adjoining pipeline) then they do so at their own risk. A curtailment of an auction product on one pipeline or compression facility should not excuse them from any commitment they have for an auction product on another facility. |
| 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. | |
| 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. | |
| 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? | |
| 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. | |
| 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? | |
| 34. | What do you think should occur if: | |

| Questions | | Feedback |
|------------------------------------|--|--|
| | <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? | |
| 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. | |
| 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? | |
| 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? | |
| 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 access? If not, please explain why. o transportation assets that service a single facility? If not, please explain why? | <p>1. GLNG supports the exemption of transportation assets that are not providing third party access for the following critical reasons:</p> <p>1.1. Consistent with the usage of the transportation asset, where significant investment has been made in transportation assets with the expectation of sole usage. In particular, the design of a number of GLNG's transportation assets has been specifically tailored for the purposes of the GLNG Project, for the reasons set out in paragraph 3.</p> |

| Questions | Feedback |
|-----------|---|
| | <p>1.2. This mechanism should not override existing legislation, such that the appropriate method for gaining access within the National Gas Law via coverage, must be fulfilled to gain access prior to considering implementation of the Day-ahead auction legislation.</p> <p>2. GLNG supports the exemption of transportation assets that are servicing a single facility for the following critical reasons:</p> <p>2.1. The stated rationale for the development of the Auction Proposal has no application to pipelines or associated compression infrastructure developed for the purpose of servicing a single project. Specifically, GLNG considers that the scope of this exemption category should clearly include facilities which are LNG plants (ie a single project), having regard to the interconnected nature of transmission pipelines and associated compression infrastructure servicing such facilities.</p> <p>2.2. Significant investment: Applying the Auction Proposal to infrastructure dedicated to a single facility would adversely impact the value of substantial investments that have already been made in that infrastructure, and hence in the GLNG Project for the reasons set out in paragraph 3.</p> <p>Operational flexibilities are impacted where the pipeline is dedicated to a single facility which is primarily own-use, such that intraday changes in flows would be limited due to auctioned capacity assets, consistent with the transportation assets servicing a single facility, should be exempt due to:</p> <p>3.1. Gas specification risk: The GLNG Project and associated infrastructure is not designed to accommodate a wide range of gas specifications. In this regard, the LNG plant and associated infrastructure (including the GLNG Gladstone Transmission Pipeline and the Comet Ridge to Wallumbilla Pipeline Loop) were specifically designed to accommodate a much narrower gas specification than the range of specifications that can comply with AS 4564. Therefore, accommodating broader gas specifications would put at risk GLNG's existing operations, where this was not envisaged as a risk when making the initial investments in the infrastructure;</p> <p>3.2. Gas Specification management: In light of these narrower specifications, gas supplied to GLNG from outside the gas fields which have been developed for the GLNG Project (Gas Fields), that does not meet these specifications, would require careful management and blending as part of the</p> |

| Questions | | Feedback |
|-----------|--|--|
| | | <p>operation of the GLNG Project. Therefore, these transportation assets require closer management than would be allowed with a day-ahead auction if this was implemented.</p> <p>3.3. Dedicated pipeline infrastructure plays a critical role in the GLNG Project, not solely in transporting gas to the LNG Facility, but also in providing critical operational flexibility by providing storage capacity. The need for operational flexibility arises because for many wells in the Gas Fields, it is difficult to cease or turn down production at short notice without jeopardising future production. For example, this means that if there is a complete or partial shutdown at the LNG Facility, it is not possibly simply to "ramp down" gas production to match the extent of the shutdown.</p> <p>3.4. Operational flexibility: Accordingly, it is critical that GLNG is able to maintain flexibility to manage gas supply and storage in real time, in order to support the GLNG Project. GLNG's dedicated transportation assets play an essential role in this respect, as its capacity can be used both for transporting and storing gas. Indeed the purpose of this infrastructure is to support the GLNG Project, in order to enable the Project to deliver the LNG volumes committed under customer offtake agreements. The availability of pipeline capacity for both of these purposes is essential, in order to reduce the impact of any planned or unplanned reduction in demand for gas from the LNG Facility.</p> <p>Specifically, this capacity has provided and continues to provide the GLNG Project with the flexibility required:</p> <ul style="list-style-type: none"> a) to accommodate variable gas supply requirements during the LNG plant commissioning phase; b) to manage consistency of supply to the domestic market; c) to manage Gas Fields ramp up during the initial years of the LNG plant operation; and d) to manage the GLNG Project in the event of planned or unplanned LNG plant maintenance and other shutdowns, including prior to commissioning of Train 2. <p>Without these options, GLNG may need, in some instances, to flare upstream gas production in the Gas Fields or, to the extent possible, turn down gas wells. This would involve wasted production</p> |

| | Questions | Feedback |
|-----|--|---|
| | | opportunities, and, ultimately, foregone sales both sales to the domestic market and LNG sales and potentially increase greenhouse gas emissions. |
| 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. | |
| 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. | <p>4. GLNG strongly recommends pipelines with a no-coverage determination under the NGL should be exempt due to:</p> <p>4.1. Threshold issue: the Auction Proposal would raise material issues of sovereign risk regarding investment in Australian infrastructure.</p> <p>4.2. Inconsistency with the legislative intention underpinning the framework for no-coverage determinations under the NGL. Specifically, the greenfields pipeline incentives in the NGL, including the no-coverage determination, were introduced for the purpose of promoting investment in pipelines by providing regulatory certainty to investors that the capacity they invested in would not be subject to price or access regulation for an introductory 15 year period, thereby encouraging efficient pipeline investments. While GLNG acknowledges that GMRG's preliminary view is consistent with the position taken in the newly introduced information disclosure and arbitration access regime in Part 23 of the NGR for non-scheme pipelines (including those subject to a no-coverage determination), GLNG remains concerned by the absence of an automatic exemption category (ie in the form of an exclusion to the application of the Auction Proposal framework rather than formal application process), for pipelines subject to a no-coverage determination, or for any other automatic exemption category.</p> <p>GMRG specifically acknowledges that at least the majority of pipelines currently subject to a 15-year no-coverage determination would likely be able to seek an exemption on the basis that the pipeline does not provide third party access, or that it services a single facility. However, as these exemption categories are proposed to be subject to a successful application being made, GLNG considers that the regulatory certainty provided by a no-coverage determination is potentially undermined.</p> |

| Questions | Feedback |
|-----------|---|
| | <p>4.3. Applying the Auction Proposal to pipelines that are subject to no-coverage determinations would disrupt substantial investments that have already been made in pipelines that are subject to those determinations</p> <p>5. GLNG strongly recommends that there is an exemption covering reserve capacity for compression facilities where available capacity for an auction is reduced by the <i>reserve capacity</i>, where specifically for GLNG assets:</p> <p>The Auction Proposal (or any reform implemented in relation to it) would materially and adversely disrupt the GLNG Project and the Participants' substantial investment in each of GLNG's pipelines and associated compression infrastructure.</p> <p>5.1. In making the investments in the pipeline compression stations relied on at the Wallumbilla Hub, GLNG has deliberately invested in reserve capacity based on an "N+1" approach (ie investment in a full or partial compression unit which is additional to the physical capacity that GLNG expects to be using to provide compression services at any one point in time).</p> <p>5.2. This reserve capacity is not "spare" capacity, or capacity that ought to logically be made available to third parties. Rather, investment in this reserve capacity plays an essential role in ensuring continuity of gas supply to the LNG Facility in the event that another compressor unit trips or requires maintenance. The availability of secure reserve capacity is therefore essential to both the short-term and long-term reliability of the overall transportation services which the GLNG Project requires and delivery of LNG cargoes within contracted windows.</p> <p>5.3. However if the Auction Proposal was implemented, capacity which was "contracted" to be used for the GLNG Project would be mandatorily made available at a regulated reserve price to third parties if it had not been "nominated" for use during a particular period. The consequences of such a mechanism could be material with similar potential outcomes to item 3.4 above, plus in addition similarly with respect to pipeline compression stations.</p> |

| Questions | | Feedback |
|----------------------------------|---|--|
| | | <p>6. GLNG strongly recommends exemption is via direct exemption through exclusion in the NGR rather than, via an exemption application mechanism, as currently proposed due to:</p> <p>1.1. Administrative burden for both the operating entity and the AER, plus the lack of benefit to the market. GMRG has specifically identified a list of transportation assets in Table 5.3 of the Day ahead Auction Paper, which GMRG considers may be subject to the Auction Proposal framework, relevantly not expressly including any of GLNG's transmission pipelines. In circumstances where the availability of the exemption categories may be relatively clear, as suggested by GMRG having expressed an initial view on this issue in the context of those pipelines subject to no-coverage determinations, GLNG recommends that the rules not be designed to require a formal application process. Rather, GLNG recommends that the rules include an exclusionary mechanism such that the Auction Proposal framework will not apply to transportation assets within a proposed exemption category.</p> <p>1.2. If there is a lack of clarity on the availability of an exemption for a particular transportation asset, an application for a review and declaration by AER could be the appropriate mechanism to determine the availability of the exemption.</p> |
| 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. | |
| 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. | |

| Questions | | Feedback |
|--|---|----------|
| 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. | |
| 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. | |
| 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</i> and the <i>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 | |

| Questions | | Feedback |
|-----------|--|----------|
| | 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 | |
| 2. | <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"> o all exchange traded products listed on the capacity trading platform; and o 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 | |
| 3. | <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"> o additional information should be reported? If so, please set out what additional information you think should be reported and why. o less information should be reported? If so, please set out what information you don't think should be reported and why. | |
| 4. | <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 | |

| | Questions | Feedback |
|------------|---|----------|
| 5. | <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"> o the buyer? If so, please explain why. o both counterparties? If so, please explain why. | |
| 6. | <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> | |
| 7. | <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> | |
| 8.4 | Where information should be published | |
| 8. | <p>Do you agree with the proposal to allow AEMO to publish information on:</p> <ul style="list-style-type: none"> o exchange based trades on the GSH and the BB website? If not, please explain why. o bilateral trades on the BB website? If not, please explain why. | |
| 9 | Governance arrangements | |
| 9. | <p>Are there any other changes that you think will be required to the governance arrangements that have not been identified in</p> | |