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Dear Dr Vertigan

**RE: Day-ahead Auction and Reporting Framework**

Thank you for the opportunity to attend the public forum session on 31 October and to provide feedback on the GMRG's consultation paper relating to the day-ahead auction and reporting framework for non-scheme pipelines.

Currently, Senex is not a user of non-scheme pipeline services. However, we are developing the Western Surat Gas Project near Roma and are preferred tenderer for acreage the Queensland Government recently awarded to us near Wandoan from which all gas produced must be supplied to the domestic market. This means we will likely be a future user of non-scheme pipelines and therefore welcome the development of products to be sold through the auction, auction design, the coverage of the auction and the operational, financial, contractual and governance arrangements that will be required to underpin the auction.

Given Senex is yet to build its capabilities as a user of non-scheme pipeline services, we have not provided responses to your feedback questions where we felt we didn't have the internal expertise and experience to provide an informed response.

Should you have any questions in relation to this submission, in the first instance please contact Trevor Robertson, Government and Stakeholder Relations Manager (P: 0409 519 639).

Yours sincerely



Ian Davies  
Managing Director and Chief Executive Officer

**Senex Energy Limited**



## Attachment 1 Stakeholder feedback – Senex Energy

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

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

Questions		Feedback
<b>3.1 Transportation products auctioned</b>		
1.	Do you agree with the proposal to include the following products in the auction: <ul style="list-style-type: none"> <li>forward haul transportation services (with separate products offered in both directions on bi-directional pipelines)? If not, please explain why.</li> <li>compression services? If not, please explain why.</li> </ul>	Senex agrees with the inclusion of forward haul transportation services and compression services as products in the auction.
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.	Senex strongly agrees with including interruptible backhaul services in the auction as we believe it will provide shippers with more flexibility to procure and deliver gas to the end location, and generally promote efficiencies.
<b>3.2 Priority of the auction product</b>		
3.	Do you agree with the proposal to adopt a second priority firm auction product? If not: <ul style="list-style-type: none"> <li>please explain why you think this option should not be selected; and</li> <li>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</li> </ul>	Senex supports adopting a second priority firm auction product given <ul style="list-style-type: none"> <li>the auction product would rank second after the firm product and higher than as available and interruptible products</li> <li>the product would only relate to the firm contracted capacity of the pipeline.</li> </ul>



Questions	Feedback
in section 2.3 than the second priority firm auction product.	
4. Are there any other tools that you think should be available to auction participants to manage curtailment risk?	Senex is not aware of tools additional to those already outlined on Slide 16 of the Information Session presentation that should be available to auction participants to reduce curtailment risk.
<b>3.3 Other elements of the auction product</b>	
5. Do you think the auction product should have: <ul style="list-style-type: none"> <li>the same MHQ factor as that specified in the service provider's operational GTA? If not, please explain why.</li> <li>a 'reasonable endeavours' renomination right? If not, please explain why.</li> </ul>	Senex believes the auction product should have the same MHQ factor as that specified in the service provider's operations GTA.  Senex also supports a 'reasonable endeavours' renomination right guided by appropriate market conduct rules.
6. Do you think the auction product should have an imbalance allowance equivalent to that specified in the service provider's operational GTA? <ul style="list-style-type: none"> <li>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?</li> <li>Are there any other issues that the GMRG should be aware of in relation to this proposal?</li> </ul>	
<b>3.4 Contract path specification</b>	
7. Do you think a zonal or point-to-point contract path approach should be employed in the auction?	
8. If you think a point-to-point approach should be employed, do you have any concerns with:	

Questions	Feedback
<ul style="list-style-type: none"> <li>the proposal to use different approaches for the trading platform and auction? If so, please explain why.</li> <li>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.</li> </ul>	
<p>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?</p>	
<p>4.1 Calculation of auction quantity</p>	
<p>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?</p>	<p>Senex agrees with the proposed calculation of the contracted but un-nominated capacity.</p> <p>Senex is not aware of other complexities that have not been identified.</p>
<p>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?</p>	
<p>12. If the auction product is defined as a second priority as available or interruptible product, do you think service providers should be required to employ a top down approach to scheduling these services, or are there technical reasons why this approach can't be employed?</p>	



	Questions	Feedback
13.	Are there any other factors that service providers would need to take into account when calculating the auction quantity for each product?	
14.	Are there any specific calculation issues that the GMRG would need to consider if the point-to-point approach is used?	
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?	The method service providers are to use should be specified in the NGR to reduce complexity while maximising consistency and promoting a common understanding and application across the east coast market.
<b>4.2 Auction format</b>		
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"> <li>○ 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?</li> <li>○ 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</li> </ul>	



Questions	Feedback
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.	
<b>4.3 Reserve price</b>	
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?	
<b>4.4 Pricing rule</b>	
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"> <li>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.</li> </ul>	

Questions		Feedback
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.	
<b>4.5 Method for determining winning bidders</b>		
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.	
<b>4.6 Curtailment on the gas day</b>		
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.	
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.	
<b>4.7 Allocation of the auction residue</b>		



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.	
<b>4.8 Information to be provided to auction participants</b>	
31. Do you agree with the proposal to: <ul style="list-style-type: none"> <li>provide auction participants with information on the products to be auctioned and the auction quantities prior to the auction?</li> <li>provide auction winners with information on their own winning bids and the clearing price for all the products sold through the auction?</li> <li>publish information on auction quantities and the clearing prices on the BB website?</li> </ul>	Senex agrees with all three proposals
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 gaining issues identified by NERA are unlikely to affect the robustness of the auction.	
<b>4.9 Auction timing</b>	
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: <ul style="list-style-type: none"> <li>a service provider is unable to provide AEMO with the auction quantity within the required timeframe?</li> <li>AEMO experiences a system failure and is unable to conduct the auction within the required timeframe?</li> </ul>	
<b>5.2 Coverage of the auction</b>	

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.	Senex believes the proposal should apply to all transmission pipelines, as outlined.
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"> <li>○ transportation assets that are not providing third party access? If not, please explain why.</li> <li>○ transportation assets that service a single facility? If not, please explain why?</li> </ul>	
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.	
6.1	



	Questions	Feedback
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?	
<b>6.2.2 Settlement arrangements</b>		
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.	
<b>6.2.3 Credit risk management</b>		
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.	
<b>6.2.4 Cost recovery</b>		
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?	
<b>6.25 Other contractual arrangements required by auction winners</b>		

Questions	Feedback
<p>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?</p>	
<p><b>7.2 Legal and governance framework for the day-ahead auction</b></p>	
<p>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 <b>Error!</b> <b>Reference source not found.</b>?</p>	



## PART B – Reporting Framework for Secondary Trades

Questions		Feedback
<b>8.1</b>		
<b>Types of trades to be reported</b>		
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"> <li>o all exchange traded products listed on the capacity trading platform; and</li> <li>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?</li> </ul> <p>Or do you think that there are other types of secondary capacity trades that should be reported?</p>	Yes
<b>8.2</b>		
<b>Information to be reported</b>		
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"> <li>o additional information should be reported? If so, please set out what additional information you think should be reported and why.</li> <li>o less information should be reported? If so, please set out what information you don't think should be reported and why.</li> </ul>	
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>	
<b>8.3</b>		
<b>Reporting obligation for bilateral trades</b>		
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"> <li>o the buyer? If so, please explain why.</li> </ul>	

	Questions	Feedback
	<ul style="list-style-type: none"> <li>both counterparties? If so, please explain why.</li> </ul>	
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?	
55.	Do you agree that shippers should be given flexibility to engage someone to report on their behalf, or should all shippers be required to gain access in their own name to the reporting systems?	Shippers should participate in their own name but be able to use a consultant / agent to undertake the required reporting.
8.4	Where information should be published	
56.	Do you agree with the proposal to allow AEMO to publish information on: <ul style="list-style-type: none"> <li>exchange based trades on the GSH and the BB website? If not, please explain why.</li> <li>bilateral trades on the BB website? If not, please explain why.</li> </ul>	Yes
9	Governance arrangements	
57.	Are there any other changes that you think will be required to the governance arrangements that have not been identified in <b>Error! Reference source not found.</b> ?	