



Attachment 1 Stakeholder feedback template

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

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. 	Agree, this is consistent with the AEMC required outcomes
2.	<p>Do you agree with the proposal to include an interruptible backhaul service in the auction for single direction pipelines? If not, please explain why.</p>	<p>Disagree</p> <ol style="list-style-type: none"> 1. These products are “swaps” not capacity products - the AEMC reforms are to deal with capacity - this is consistent with not developing a locational swap product through the capacity trading reforms and instead focussing on operational transfers 2. There is no equivalent product proposed on the GSH meaning shippers who have bought the product have no means to sell it before auction - defeating the purpose of the auction which is to encourage secondary trading 3. This product is not one that can be “hoarded” because if it is not being used it is not being paid for. As it is interruptible service providers can presumably resell the product numerous times. 4. If renominations of the primary product were accepted by the service provider then the product bought in the auction would rank lower than interruptible. 5. The worse-than-interruptible service would cost little in the auction - so shippers



Questions		Feedback
		<p>would not have any incentive to purchase directly from the service provider</p> <p>6. Difficult to determine the amount to auction. If the service provider re-sells the product multiple times (as it is interruptible) then the question arises as to whether this whole contracted volume (less any nominated) goes into the auction. This would inflate the size of the auction</p> <p>7. Backhaul is not sold "firm" so therefore does not fall within the scope of the AEMC's recommendation to auction un-nominated firm capacity.</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"> o please explain why you think this option should not be selected; and o please set out the option you think should be adopted and why you think it is more consistent with the AEMC's recommendations and the assessment framework set out in section 2.3 than the second priority firm auction product. 	<p>Stanwell supports the proposal for the auction product to be second priority firm capacity. This option appears to best meet the AEMC's criteria.</p>
4.	<p>Are there any other tools that you think should be available to auction participants to manage curtailment risk?</p>	<p>The examples in the consultation paper assume that the auction will apply to pipes that are not fully contracted. If this is the case then auction participants could use interruptible and as-available products to manage curtailment risk. As discussed in the consultation paper, if the pipe is not fully contracted, these products will not be curtailed by firm renomination rights.</p> <p>In Scenario Two in Box 3.3, the auction product is curtailed. Consideration should be given as to whether the service provider could choose to maintain the auction capacity given there is spare capacity on the pipe.</p>
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"> o the same MHQ factor as that specified in the service provider's operational GTA? If not, please explain why. 	<p>Stanwell agrees.</p>



	Questions	Feedback
	<ul style="list-style-type: none"> ○ 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 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? 	
3.4 Contract path specification		
7.	<p>Do you think a zonal or point-to-point contract path approach should be employed in the auction?</p>	<p>Stanwell supports the auction product being conducted on a zonal basis rather than a point to point basis. It is important for the capacity trading platform and the auction product to have the same quality of capacity. If the auction is conducted on a point to point basis, while the capacity trading platform is conducted on a zonal basis, then it is likely that the capacity trading platform would have a greater level of delivery risk when compared to the auction. This is not consistent with the AEMC's objective of encouraging trading on the capacity trading platform.</p> <p>We are also concerned about the release of confidential, market-sensitive information if the auction were to be conducted on a point to point basis. Gas fired generators are usually the marginal generators, setting the price in the region in which they generate. If the auction were conducted on a point to point basis, the auction would reveal what a gas fired generator had nominated for gas, and therefore its generation expectations for the following day. This information would be highly valued by competitors putting gas fired generators at a disadvantage in the National Electricity Market. Stanwell supports the GMRG making decisions that are consistent with the AEMC's consideration of this issue.</p>



	Questions	Feedback
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.	<p>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>	
4.1 Calculation of auction quantity		
10.	<p>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>This appears to be the best approach.</p>
11.	<p>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>As available and interruptible nominations received prior to nomination cut-off time should not be included in the calculation of contracted but un-nominated capacity.</p>
12.	<p>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?	If the method is not defined in the NGR the NGR should contain guiding principles , the method should be publicly available and changes to the method should only occur after transparent consultation.
4.2 Auction format		
16.	Do you agree with the proposal to utilise a partial combinatorial auction? If not, please explain why?	Stanwell supports this proposal. A fully combinatorial auction adds significant complexity to both AEMO and bidders.
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 	<p>Stanwell agrees with the GMRG that this feature should not be added at market start but could be considered for inclusion at a later date if necessary. This feature is likely to be complex to implement, adding to the time and cost of implementation and the benefits are likely to be small.</p> <p>Bidders that are particularly interested in gaining a certain size of capacity will be able to bid in a manner to ensure they obtain their desired capacity size. As the auction will be repeated daily, bidders will be able to refine their bidding techniques over time to optimise their price and quantity.</p>
18.	Do you think there is sufficient demand for substitutable routes to warrant the inclusion of the XOR set optional feature? If so,	The demand for substitutable routes is low. The benefit of including this feature is unlikely to outweigh the costs.



	Questions	Feedback
	please explain why.	
19.	Do you agree with the proposal to include the static backhaul optional feature? If not, please explain why.	No, as discussed in Question 2, this is beyond the AEMC's recommendations for auctioning firm capacity. A backhaul feature is neither firm, nor is it capacity. Adding this feature adds to the cost of implementation of the auction.
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?	Stanwell agrees with the GMRG that compressor fuel should be recovered from shippers through the operational GTA. This is the simplest approach to implement.
4.4 Pricing rule		
21.	Do you agree with the proposal to adopt a pay-as cleared pricing rule? If not, please explain why.	Stanwell agrees with the GMRG that pay-as cleared method is the best approach.
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"> o If you propose an alternative pricing rule, please provide details on how this rule could be implemented and whether or not the inclusion of minimum requirements and/or XOR sets would be problematic under this alternative rule. 	To keep implementation costs down, and given this is a minor issue, we propose adopting the same approach as used in the SRA engine. If for any reason the SRA engine cannot be directly applied to the day ahead auction, the use of the lowest accepted bid price appears appropriate.
24.	Do you agree with the proposal to use a random tie-break	To keep implementation costs down, and given this is a minor issue, we propose adopting the same approach as used in the SRA algorithm. If for any reason the SRA



	Questions	Feedback
	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.	engine cannot be directly applied to the day ahead auction, the use of a random tie-break appears appropriate.
4.5 Method for determining winning bidders		
25.	Do you agree with the proposal to determine winning bidders through the use of a profit maximising algorithm, which in this case reduces to a revenue maximising algorithm? If not, please explain why.	Yes, this seems reasonable and implementation will be low given the SRA algorithm uses this approach.
26.	Do you agree with the proposal to use a random tie-break rule to determine winning bidders? If not, please explain why.	To keep implementation costs down, and given this is a minor issue, we propose adopting the same approach as used in the SRA algorithm. If for any reason the SRA engine cannot be directly applied to the day ahead auction, the use of a random tie-break appears appropriate.
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.	It is unclear what is being suggested here - is this an additional right to contract? As discussed in Question 4, Stanwell expects that auction participants could use interruptible and as-available products to manage curtailment risk - this would be contracted in advance then nominated only when the curtailment occurs. Stanwell does not support any additional rights being incorporated into the auction contract.
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.	Adding this choice is likely to add complexity and time delays to the process as service providers liaise with shippers. Stanwell suggests that curtailment occur only on the legs where there is insufficient capacity. Shippers will be able to manage this through storage, or as available and interruptible contracts. This is consistent with what shippers must currently manage with contracts on multiple pipelines from multiple service providers across the East Coast.
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	Stanwell agrees with the project team that initially the simple pro-rating with compensation should be adopted. Although not theoretically ideal, adoption of this approach will keep implementation costs down for AEMO and service providers. If curtailment is a significant issue, this choice can always be reviewed in time.



	Questions	Feedback
	question, please outline how significant you think the risks of curtailment are.	
4.7 Allocation of the auction residue		
30.	Do you agree with the proposal to allocate the auction residue to service providers based on the revenue achieved by individual products? If not, please explain why and set out what alternative approach you think should be employed.	Agree
4.8 Information to be provided to auction participants		
31.	Do you agree with the proposal to: <ul style="list-style-type: none"> o provide auction participants with information on the products to be auctioned and the auction quantities prior to the auction? o provide auction winners with information on their own winning bids and the clearing price for all the products sold through the auction? o publish information on auction quantities and the clearing prices on the BB website? 	Agree
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.	Agree
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?	The timing offsets appear to be overly generous, especially the time from nomination cut off time to when the service provider provides the auction quantity to AEMO (1.5 hours or more). Half an hour to submit auction bids also seems overly generous, 15 minutes is likely to be enough. Shippers will be participating in the auction every day and will be familiar with their strategy and the usual volumes available. Shippers may also wish to submit a standing bid before the auction then only update the bid if necessary.



	Questions	Feedback
34.	<p>What do you think should occur if:</p> <ul style="list-style-type: none"> ○ a service provider is unable to provide AEMO with the auction quantity within the required timeframe? ○ AEMO experiences a system failure and is unable to conduct the auction within the required timeframe? 	The auction should be delayed up until a final time eg 8pm after which it should be cancelled.
5.2 Coverage of the auction		
35.	Do you agree with the proposal to apply the auction to all the transmission pipelines (excluding the Declared Transmission System) linking major demand centres and supply sources in the east coast and contractually congested pipelines in regional areas? If not, please explain why.	Agree. Whether pipelines that are not contractually congested should continue to be part of the auction could form part of the AEMC's review if it was discovered that a significant amount of de-contracting was occurring and the auction was not encouraging secondary trading.
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?	The most compelling reason to include most pipelines in the auction is to enable the combinational auction to work effectively.
38.	Do you agree that exemptions should be available to: <ul style="list-style-type: none"> ○ transportation assets that are not providing third party access? If not, please explain why. ○ transportation assets that service a single facility? If not, please explain why? 	Yes
39.	Do you think an exemption should be available to pipelines that fall below a minimum size threshold if they are not contractually	



	Questions	Feedback
	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 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.	Stanwell agrees with AEMO's proposal to try and minimise the cost and time associated with implementing the day-ahead auction by utilising existing systems and a modified version of the SRA algorithm.
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.	This seems reasonable.
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.	Agree
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.	<p>No, the cost of running the auction should be recovered from auction participants consistent with SRAs, the STTM and the GSH. Alternatively, as suggested by the AEMC it should be netted out from the auction proceeds.</p> <p>The cost should not be smeared across other markets creating a distortion and adding to the cost of trading for non-auction participants. While AEMO must recover its costs, AEMO can amortise the costs over several years in setting a budget for recovery of</p>



Questions		Feedback
		costs. This is consistent with the approach used by AEMO in their other markets.
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.	Agree
47.	Do you think the cost recovery provisions should be specified in the NGR?	Yes
6.25 Other contractual arrangements required by auction winners		
48.	What changes do you think will need to be made to the Operational Code that was released for public comment in the <i>Standardisation Related Reforms and the Capacity Trading Platform Consultation Paper</i> to accommodate the auction product?	
7.2 Legal and governance framework for the day-ahead auction		
49.	Are there any other changes that you think will be required to the legal and governance framework to give effect to the day-ahead auction that have not been identified in Error! Reference source not found. ?	



PART B – Reporting Framework for Secondary Trades

	Questions	Feedback
8.1 Types of trades to be reported		
50.	<p>Do you agree with the proposal to specify that the reporting framework will apply to the following types of secondary trades:</p> <ul style="list-style-type: none"> ○ all exchange traded products listed on the capacity trading platform; and ○ bilateral trades involving forward haul, backhaul, park, park and loan, and/or compression services that are given effect through either a bare transfer or an operational transfer? <p>Or do you think that there are other types of secondary capacity trades that should be reported?</p>	<p>Stanwell agrees that the list of what should be reported should be clear.</p> <p>Stanwell does not support backhaul, park, park and loan being reported. This appears to go beyond what the AEMC intended when requiring all secondary capacity trades be reported. These services are not a part of the auction or the capacity trading platform and are minor products compared to forward haul and compression products. Backhaul is also not strictly a capacity product but a locational swap. Reporting these auxiliary products adds to costs and regulatory burden for little gain. Overly extensive reporting obligations may actually inhibit trade in these products.</p>
8.2 Information to be reported		
51.	<p>Do you agree that the information set out in Table 8.1 should be reported for exchange based capacity trades and bilateral capacity trades? Or do you think that:</p> <ul style="list-style-type: none"> ○ additional information should be reported? If so, please set out what additional information you think should be reported and why. ○ less information should be reported? If so, please set out what information you don't think should be reported and why. 	<p>Agree, subject to exclusions above.</p>
52.	<p>Do you think any additional measures are required to protect the anonymity of counterparties? If so, please explain what they are and how this would be consistent with the overarching objectives of the reporting requirements.</p>	<p>In a market sensitive situation there could be a delay between executing the deal and the requirement to report it. This would afford the shipper time to make complementary arrangements in other markets (eg the NEM) before their identity is revealed through this reporting mechanism. The length of the delay to reporting and how it would be determined would need consideration.</p>
8.3 Reporting obligation for bilateral trades		
53.	<p>Do you agree that the obligation to report bilateral trades of secondary capacity should fall on the seller? Or do you think the obligation should fall on:</p>	<p>Agree however provision should be made to enable the buyer (or another party) to report the trade if mutually agreed between the counterparties.</p>



	Questions	Feedback
	<ul style="list-style-type: none"> ○ the buyer? If so, please explain why. ○ both counterparties? If so, please explain why. 	
54.	Do you agree with the proposal that bilateral trades of secondary capacity should be reported by the earlier of one day after the trade is executed or the day prior to the trade commencing? Or do you think sellers require a longer period of time to report trades?	One day is too short and is likely to increase the risk of inadvertent breaches of the obligation. The standardisation group's proposal of three business days is more realistic. Capacity trades are likely to be traded infrequently therefore three business days will provide more than enough price transparency and discovery.
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?	Agree - with so little time proposed to report, shippers cannot be restricted in how they facilitate the 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"> ○ 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. 	Agree
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 Error! Reference source not found. ?	