

# Minutes

## Day Ahead Auction Project Team Meeting No. 5

**Date/Time:** Tuesday, 17 May 2017, 10.00 am

**Location:** AEMC Office, Level 6, 201 Elizabeth Street, Sydney

**Attendees:** *Project team*  
John Jamieson, APA  
Deidre McEntee, APLNG  
Leon Devaney, Central Petroleum  
Andrew O'Farrell, Origin  
Jeff Cooke, SEAGas  
Erin Bledsoe, Shell  
Nicholas Pope, specialist technical advisor  
Tom Walker, specialist technical advisor

*GMRG*  
Daniela Moraes, analyst  
Katherine Lowe, senior technical advisor  
Sandra Gamble, facilitator

**Apologies:** Kevin Ly, Snowy Hydro  
Matt Sherwell, Santos

**Purpose:** Auction product design.

**Reference:** DAA.4.20170517

	Agenda Item	Discussion	Actions	Decision/views
1	<b>Recap on previous meeting</b>	<p>Minutes from meeting #4 were approved; along with minutes for meeting #3 after some changes were made.</p> <p>Updates were provided on other work streams:</p> <ul style="list-style-type: none"> <li>Standardisation work stream – a lawyer will start working on the draft of a standard contract. Next steps include discussing allocation agreements and receipt/delivery points flexibility. No decisions have been made if the clauses will be mandatory or voluntary.</li> <li>Capacity trading platform work stream – discussed product design for exchange traded products. To be decided if lateral pipelines will be included in the exchange as a product or as a listing service.</li> </ul>	<ul style="list-style-type: none"> <li>Invite Jeff Cook, SEA Gas to the next Standardisation Project Team meeting.</li> <li>At the appropriate time, discuss if the same terms and conditions for a standard contract can also be used for the auction product.</li> </ul>	
2	<b>Project team road map</b>			
2.1	<b>Road map, priorities, next steps</b>	<ul style="list-style-type: none"> <li>Consultation paper on Operation and Administration of the Capacity Trading Platform(s) and Day-Ahead Auction released on 19 May. Submissions due by 08 June.</li> <li>Next consultation paper will consult on auction pipeline coverage and is expected to be published in July 2017. Likely to have a 4-week consultation period.</li> <li>Discussed updated version of the Terms of Reference for the Day-ahead auction.</li> </ul>	<ul style="list-style-type: none"> <li>Requested team members to send comments on new ToR before uploading into the GMRG website.</li> </ul>	
2.2	<b>Information needs</b>	<ul style="list-style-type: none"> <li>Discussed possibility to invite guest speakers. Some members suggested having an academic expert on auction design.</li> <li>Requested suggestions on articles.</li> </ul>	<ul style="list-style-type: none"> <li>Shell to consider bringing someone from their European operations with knowledge on the European capacity auctions.</li> </ul>	
2.3	<b>Meeting schedule</b>	<ul style="list-style-type: none"> <li>Meeting schedule updated, with some of the meetings to take in place in other States, as per request of team members.</li> </ul>		

	Agenda Item	Discussion	Actions	Decision/views
3	<b>Product sold through the auction</b>			
	<b>Timing of the auction</b>	<ul style="list-style-type: none"> <li>• The group discussed the potential timing of the auction nomination cut off-time and the important interactions with other market timings (e.g. STTM, DWGM, GSH and NEM pre-dispatch).</li> <li>• Appendix, item 1 contains an overview of the relevant timings. There was a view that nominations can only occur once market participants have knowledge of the outcomes of STTM, and NEM pre-dispatch and that auction should occur early enough for shippers to be able to secure gas and line up sales for the following day if they are successful in the auction.</li> <li>• Discussed the deadline for day-ahead secondary trading – which needs to occur before nomination. Some members mentioned the potential need for changing nomination deadlines and the implications of the gas harmonisation day to be effective from 2021.</li> <li>• The group discussed the need for traders to know how much capacity is available for auction, with some team members noting that it would depend on the auction clearing mechanism (e.g. if a market clearing price then information may not be required but if first price rule then it would be required).</li> </ul>		
3.1	<b>Products to be auctioned</b>	<ul style="list-style-type: none"> <li>• The group discussed the potential for the auction products to include: <ul style="list-style-type: none"> <li>- for pipelines: <ul style="list-style-type: none"> <li>○ forward haul transportation services (both ways on bi-directional pipelines)</li> <li>○ backhaul transportation services</li> </ul> </li> <li>- for hub services: <ul style="list-style-type: none"> <li>○ compression services</li> </ul> </li> </ul> </li> </ul>		

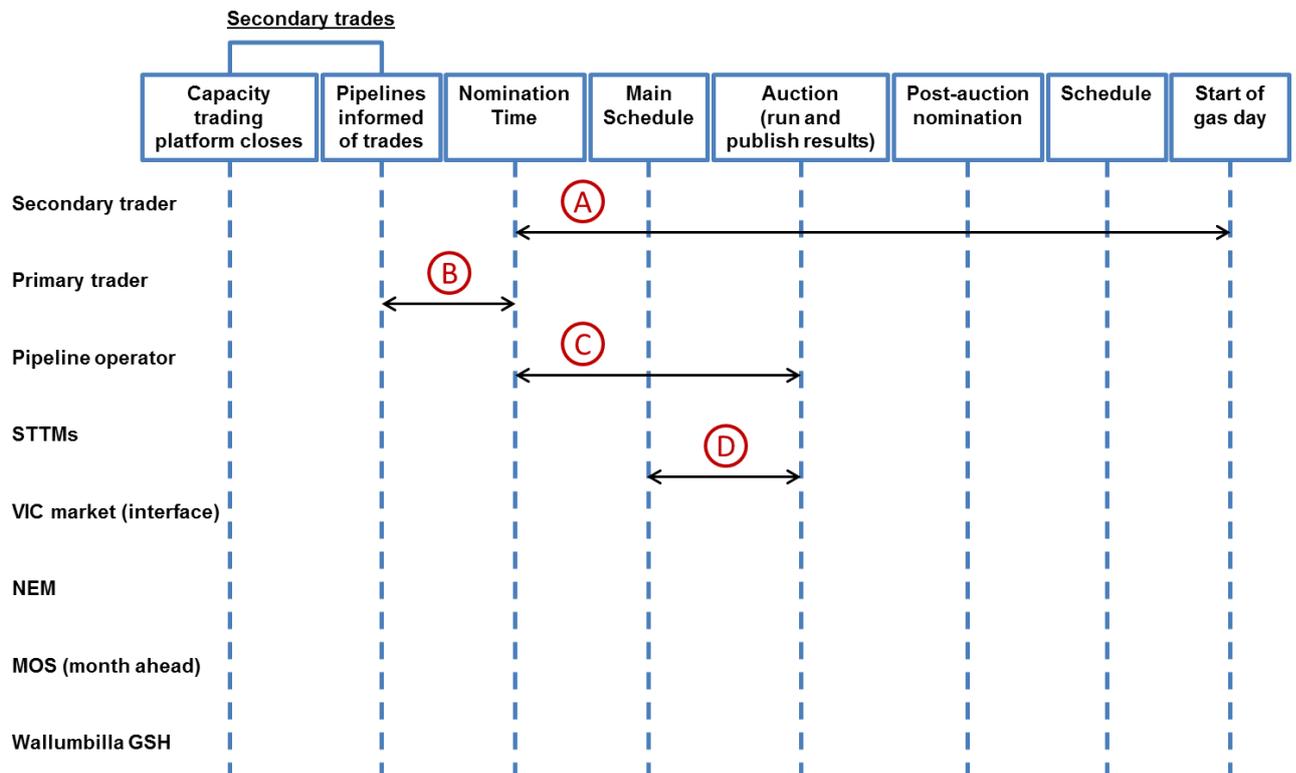
	Agenda Item	Discussion	Actions	Decision/views
		<ul style="list-style-type: none"> <li>○ redirection services</li> <li>● The group also discussed the need to differentiate a daily traded product from the day-ahead contracted but un-nominated capacity auction product.</li> </ul>		
3.2	<b>Firmness of the product</b>	<ul style="list-style-type: none"> <li>● The group was informed that the Capacity Trading Platform work stream decided not to include backhaul as a product in the secondary trading platform, because backhaul can only be offered on an interruptible basis as it is dependent on the forward flow.</li> <li>● Discussed bi-directional pipelines, and the potential to sell each way as a separate product in the auction (see more on Appendix, item 2).</li> <li>● Discussed uni-directional pipelines and the potential to sell backhaul through the auction. The group observed that if backhaul was to be auctioned then in theory the pipeline could sell more on a forward haul basis than the volume of contracted but-un-nominated capacity subject to the constraint that the physical flows fall within the capacity that is available to be auctioned.</li> </ul>		
3.3	<b>Other elements of standardised products</b>	<ul style="list-style-type: none"> <li>● The group briefly discussed the various levels of firmness and renomination rights offered by different pipeline operators: <ul style="list-style-type: none"> <li>- Some pipelines offer renomination rights on a best endeavours basis.</li> <li>- Firm shippers are scheduled, but not guaranteed, before nomination deadline.</li> <li>- Some pipelines accept renominations down (lower volume), as long as practical (i.e. if gas has not flown).</li> <li>- Some pipelines have hourly nominations, which could impede the auction product to be firm.</li> </ul> </li> </ul>		

	Agenda Item	Discussion	Actions	Decision/views
		<ul style="list-style-type: none"> <li>- Some pipelines offer authorised overruns as a product, where a shipper has an allowance to go over the contracted capacity.</li> <li>• The group also identified a number of options that the AEMC had previously identified for dealing with renomination rights and agreed to discuss these in the next meeting.</li> </ul>		
	<b>Others</b>	<ul style="list-style-type: none"> <li>• Some of the members identified a few topics that should be discussed in future meetings (“parking lot items”): <ul style="list-style-type: none"> <li>- Gaming opportunities under the auction</li> <li>- Auction clearing mechanism to be adopted</li> </ul> </li> </ul>		
<b>7</b>	<b>Next Meetings:</b>  <b>Tue, 30 May 2017 – joint project teams meeting via VCU</b>  <b>Wed-Thu, 31 May – 1 Jun 2017 – Day-ahead auction Project Team meeting (Sydney)</b>	<ul style="list-style-type: none"> <li>• Members were reminded of a joint project team meeting via video-conference on the 30 May, plus a 2-day working group face-to-face meeting in Sydney on 31 May and 1 Jun.</li> </ul>	<ul style="list-style-type: none"> <li>• Recommended the group to read the minutes of the Standardisation project team.</li> <li>• Each team member will need to summarise their understanding of where the group, focusing on what can be agreed on and what can be compromised.</li> <li>• Request team members to listen carefully to each other.</li> <li>• Revisit submissions to the March 2016 AEMC Pipeline Access Discussion Paper.</li> </ul>	

## Appendix

### 1) Assumptions on timing constraints

- Nomination time to be as late as possible, within practical limitations of pipeline operation & scheduling
- Capacity trading platform to close as late as possible, up to nomination time



- **A:** Time between nomination cut off time and start of gas day (needs to account for scheduling, auction, post auction nominations and scheduling, and time for pipeline operators to set up the pipeline for the next day)
- **B:** Pipelines need approximately 60 minutes between knowledge of secondary trades and nominations to confirm trades and deal with any issues
- **C:** Day-ahead auction for contracted but un-nominated capacity to occur as soon as possible after nominations
- **D:** Shippers need thinking time, to decide if participate on day-ahead auction

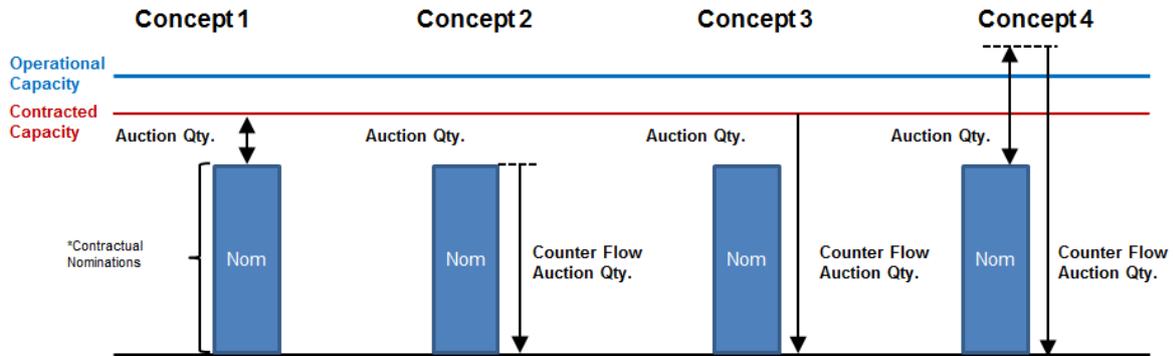
Sydney STTM: Bids close 12 noon and schedule 1 pm

NEM pre-dispatch: 2 pm

Current nomination times: NSW 2.30 pm, Qld 4 pm, SA 3 pm

## 2) Products to be auctioned / firmness of the products

### Single direction pipeline



### Bi-directional pipeline

