



Pipeline-run capacity auctions



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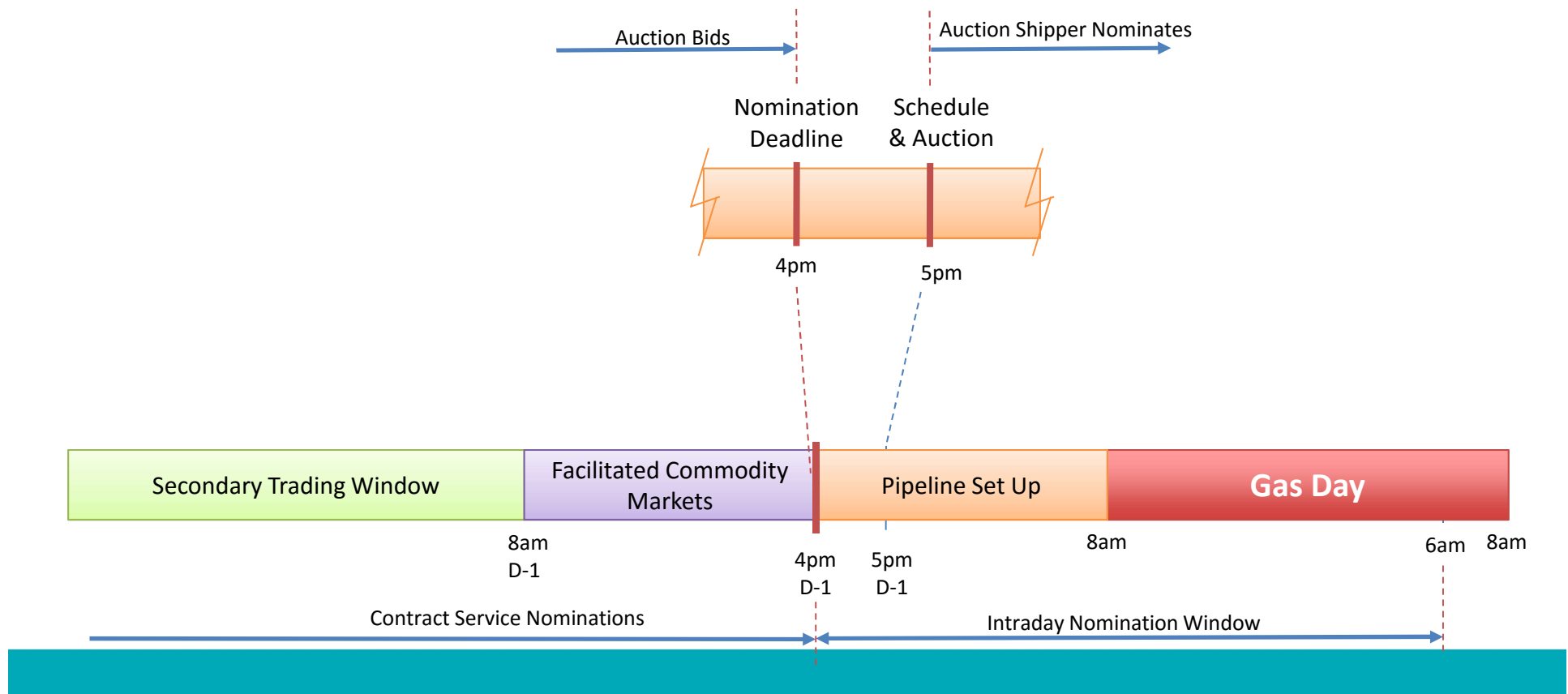
- Earlier auction and results (within normal business hours)
 - Increased options to manage gas needs
- More efficient allocation of capacity – scheduling and curtailment
 - Auction bids and allocation to specific receipt and delivery points ensuring deliverability
 - Higher utilisation in peak times
 - Scope to curtail on price, rather than pro-rate curtailment
- Integrated with pipeliner nominations engine
 - One location for auction bids and nominations
- Simpler contractual and prudential arrangements for shippers
- Lower total costs to implement within pipeliner systems
- Greater scope for innovation in the future – intraday auction, uncontracted capacity release

What will a pipeline-run process look like?

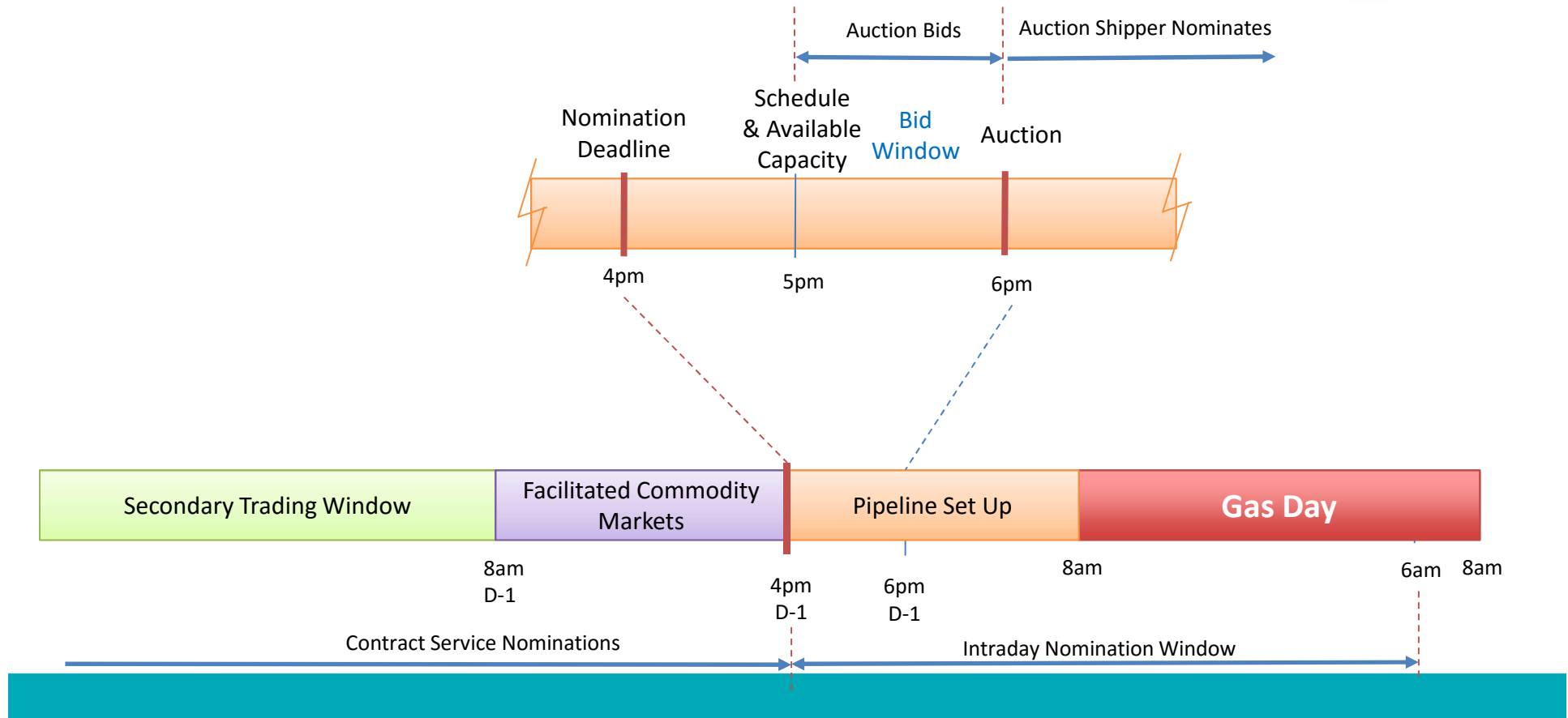


- Use existing nomination systems to submit bids
 - Consistent auction window – same information, same order, etc
- Two possible timelines
 - T1: Submit bids at same time as nominations (option 1)
 - Bidders estimate available capacity using information available on BB
 - T2: Submit bids after scheduling (option 2)
 - Bidders know available capacity – later auction to give time to publish capacity after schedule

Option 1: Pipeline Operated T1



Option 2: Pipeline Operated T2



Pipeline nomination systems



- Capacity acquired through auction will need to be nominated in pipeliner system
 - Necessary feature of any auction process
- Existing pipeliner nomination systems are designed to accept FTP or manual data entry
 - Shippers communicate by preferred method (no change in shipper systems required)
- Auction bid facility can be added to nomination system at low cost
- And allows for shippers to nominate receipt and delivery point through bids – enabling more sophisticated auction
 - Important in times of peak demand
- Common standard to ensure appropriate level of standardisation and consistent settlement methodology – APGA facilitated

Implementation for shippers



- All shippers will have a GTA in place with pipeliner
- Operational capacity transfer facility already available to all:
 - shippers through existing contracts
 - potential shippers through zero MDQ contracts (minimum bill/facility cost)
- Auction facility to be available to shippers in same way
 - Added to existing contracts or establish zero MDQ contracts
- Shipper can have zero MDQ contract with capacity trading and auction facilities
- Includes (limited) prudential requirements for dealing with pipeline

Publication of information from PO auctions – Bulletin Board



Relevant information already published:

- Forward nominations
- Contracted capacity
- Historical flow information
- Operational Capacity



Aids bidders to reach informed judgement on availability of and demand for CBU capacity

New information supporting auction:

- Pipelines with auctions
- Available capacity (if T2)
- Auction results
 - Capacity allocated
 - Bid Stack



Publishing of capacity allocated through auction and bid stack provides transparency on auction operation



Implementation for pipeline operators



Component	Purpose	Cost
Common standard	Ensure consistent implementation across pipelines	Low – APGA
Auction bid page	Establish bid capability in existing nomination systems	Low – PO
Auction engine	Solve auction – auction settlement methodology must be consistent across pipelines but complexity of engine will vary	Variable – PO
System back-end	Incorporate auction capacity into schedule	Variable -PO
Publishing	Most POs affected already communicate with BB (those that don't face new obligations for auction regardless)	Low – PO

Participation costs to shippers



- Zero MDQ contracts with minimum bill/minor facility charge as per existing arrangements
 - Recover costs of setting up and maintaining contract in systems
- All other costs borne by the pipeliners
 - Recovery through auction proceeds?



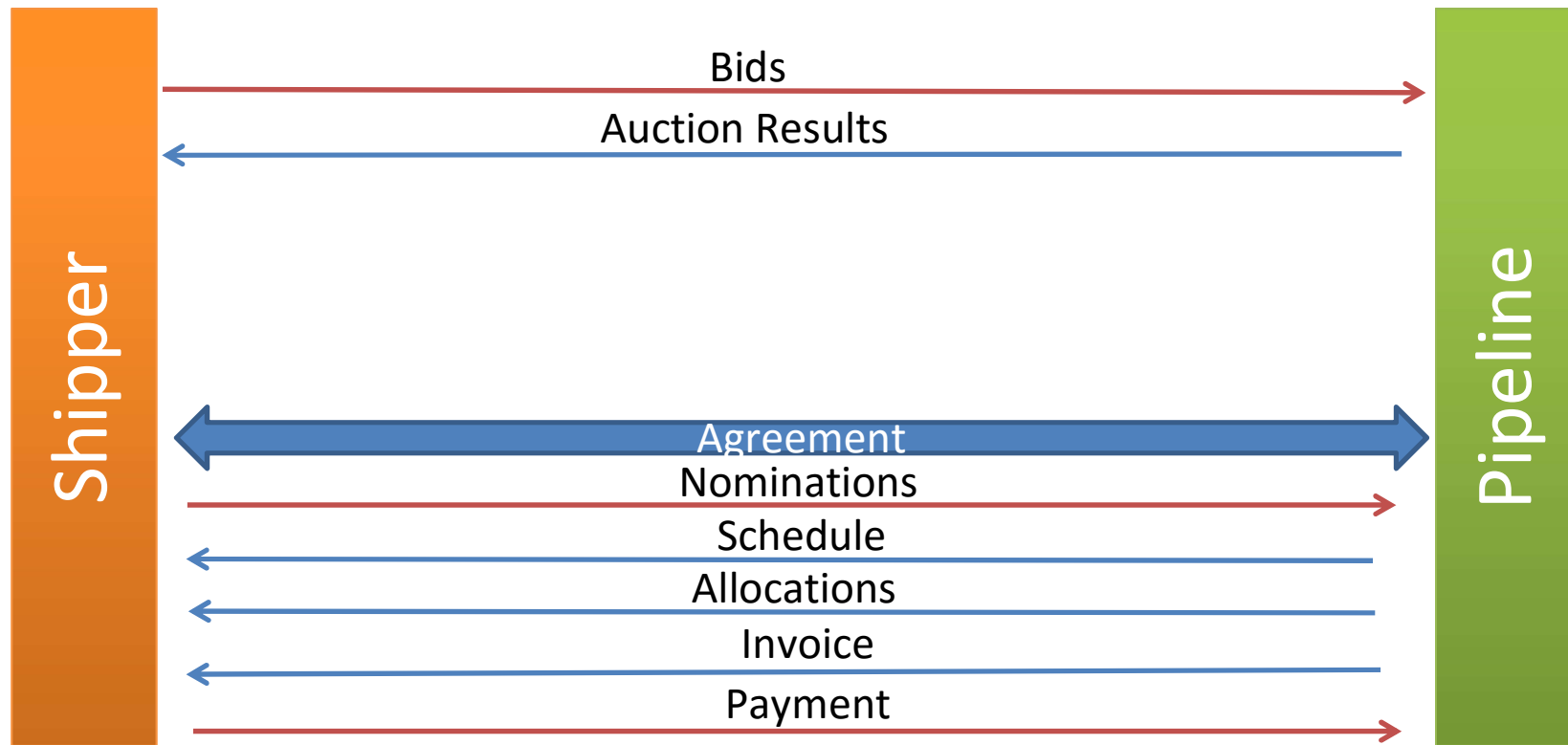
Comparison with AEMO proposal



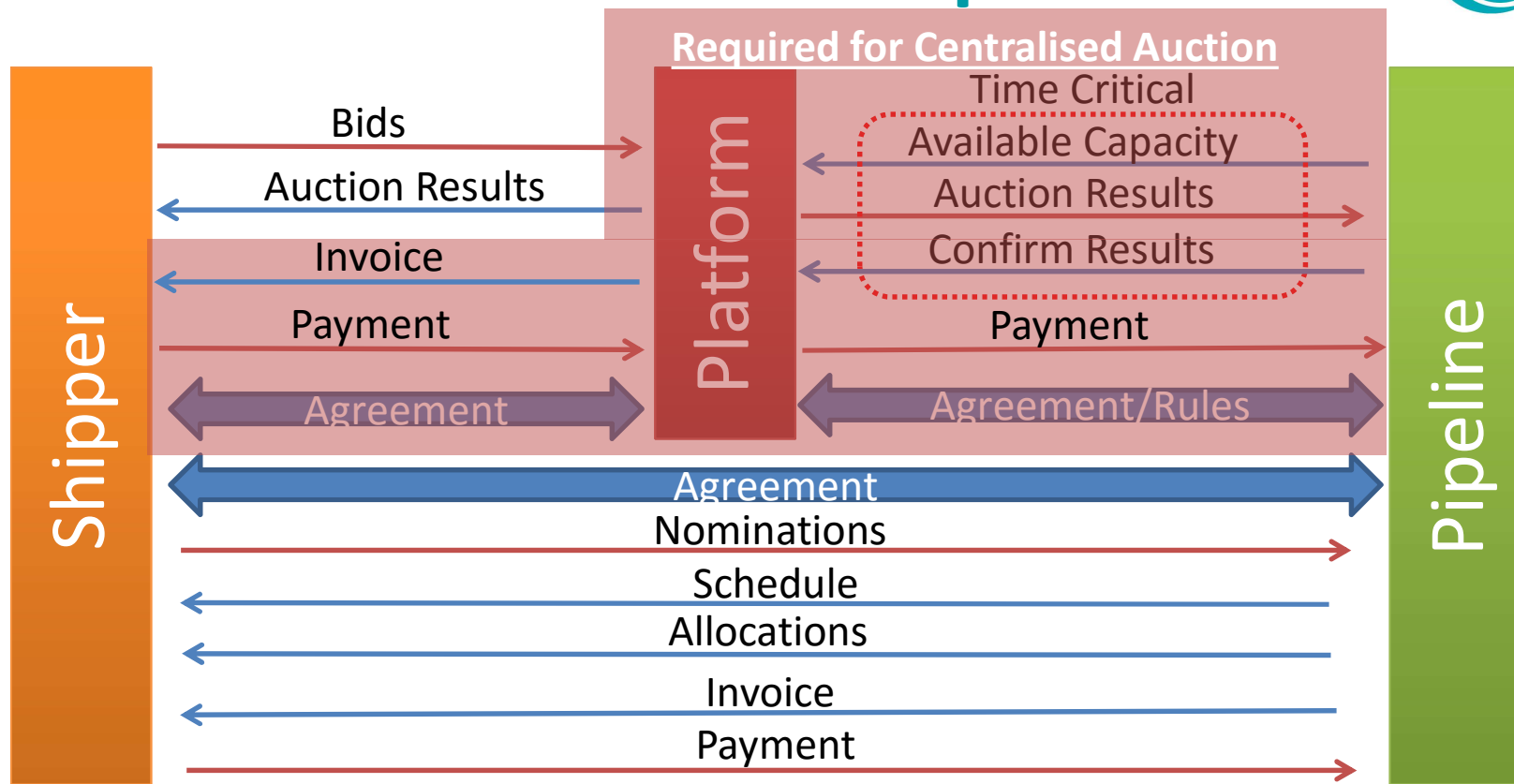
- Simpler, lower cost structure
 - Significantly fewer data transfer and B2B interfaces
 - Lower cost, fewer points where issues can arise in necessarily short window for data transfer
- Earlier auction
 - More options/scope for shippers to organise gas needs
- Integrated with pipeliner systems
 - One location for bids, auction outcomes and nominations on each pipeline



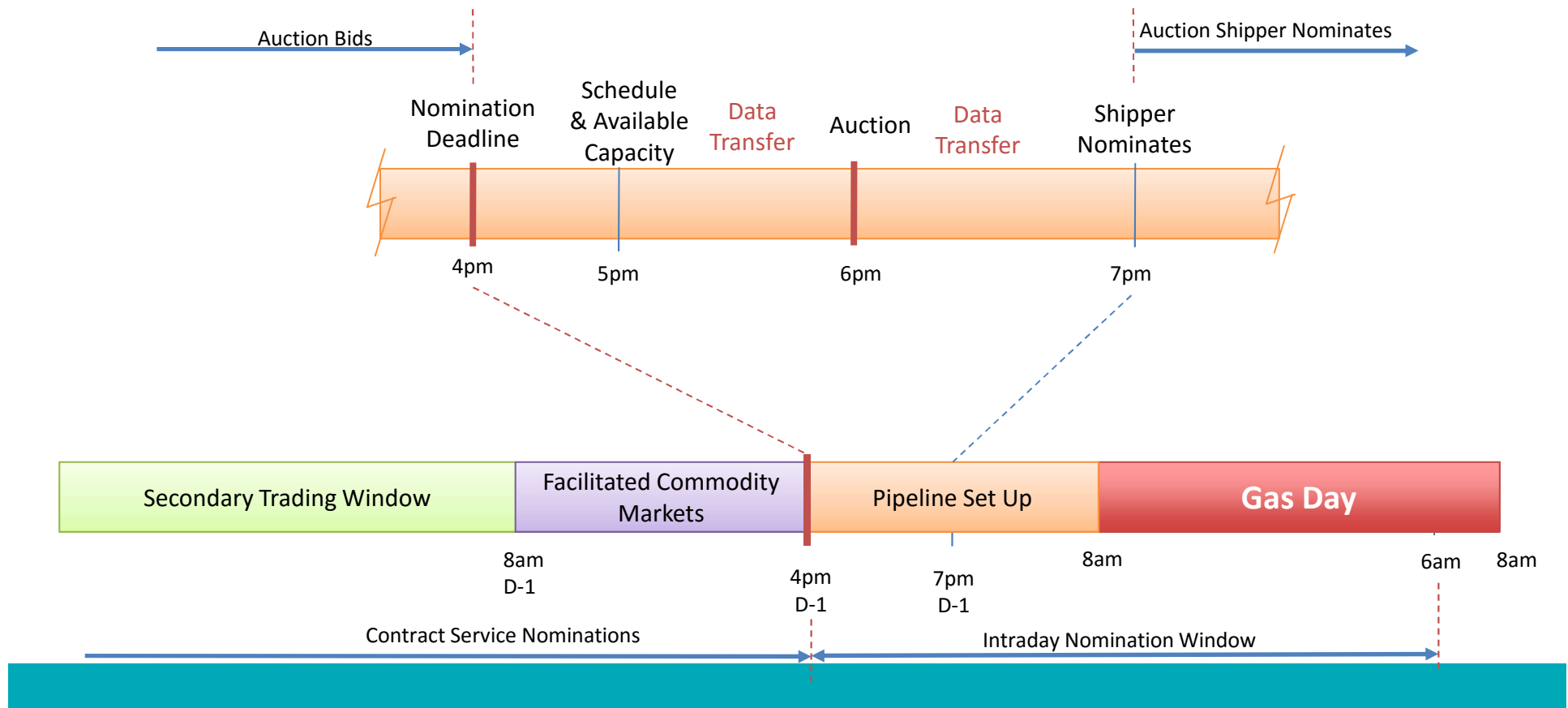
B2B Process – Pipeline Operated



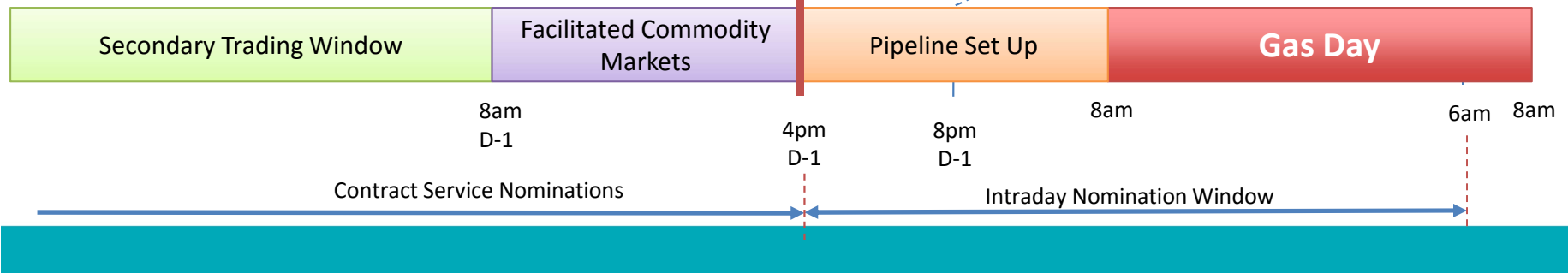
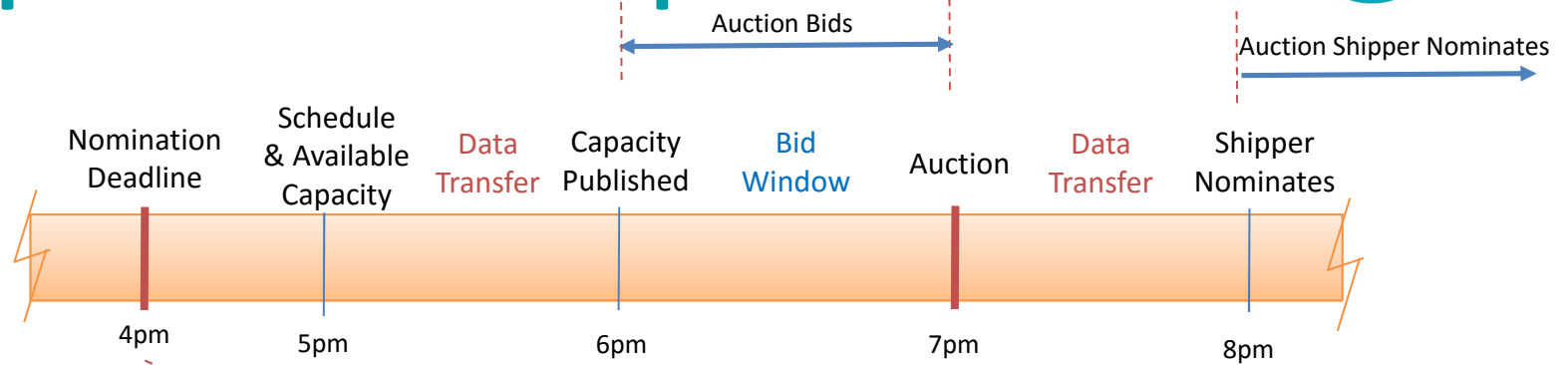
B2B Process – AEMO operated



Option 3: AEMO operated T1



Option 4: AEMO operated T2



Advantages of PO auction



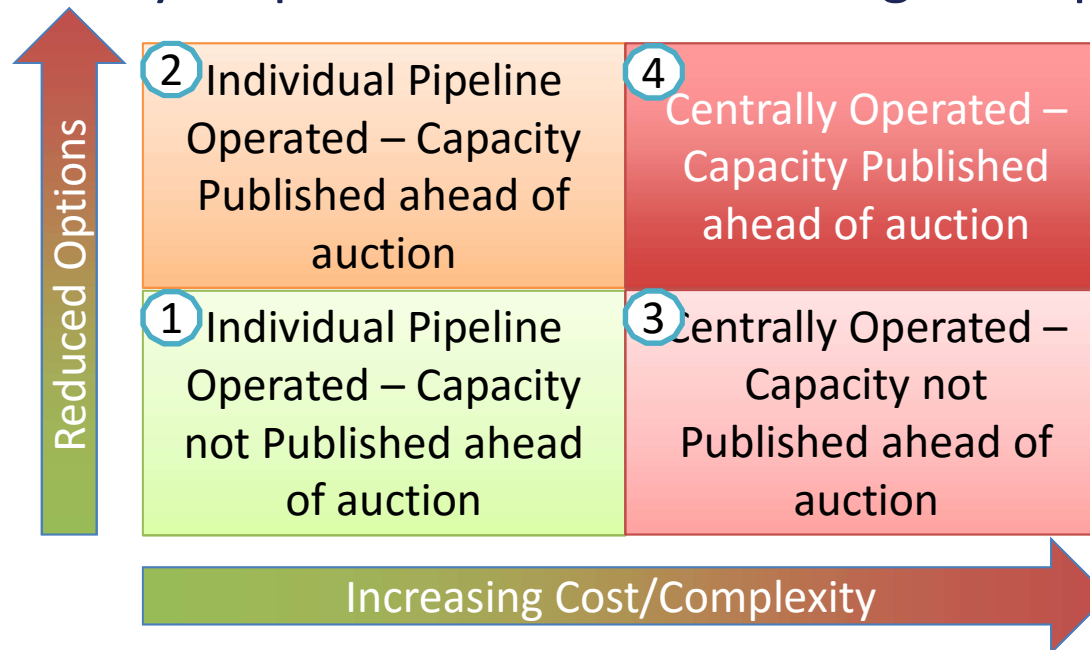
- Timing of auction – PO run auction under T1 likely to deliver outcomes 90-120 minutes in advance of centralised auction
- Curtailments of auctioned capacity due to firm shipper renominations are more easily managed by PO. Should be based on price, so PO must have bid-stack
- Prudential requirements included in GTAs
- Single invoice for auctioned capacity and ancillary charges. Multiple invoices required for centralised auction
- Single system for bid and nominations for each pipeline
- Eliminates real time data transfer between PO and auction operator resulting in fewer potential points of failure, less cost and less delay
- Lower costs to shippers (no additional fee) and lower total implementation costs
- Innovation – competitive PO process will drive innovation in addressing future requirements



Auctions



Essentially 4 options – based on timing and operator



Estimated cost of implementation



	PO Operated	AEMO Operated	Notes
Auction - Bid Page - Engine	\$0.5M \$0.5M	\$0.35- 0.45M	Estimated costs are total across all pipeline operators
System Integration	\$1.0M	\$1.5M	Backoffice – linking auction outcomes to shipper capacity available for nomination.
Data Exchange	\$0	\$1.5M	Costs of systems to review, transmit and confirm data between pipeline and AEMO.
Publishing on BB	\$0.2M	\$0.2M	Results must be visible to all
Total	\$2.2M	\$3.5+M	

Comparable to STTM costs



Summary



	Pipeline Operation	AEMO Operation
GTA with Pipeline	Required	Required
Auction Agreement	No (incl in GTA)	Yes (with AEMO)
Single Invoice	Yes	No
Prudentials with Operator	No (incl in GTA)	Yes (with AEMO)
Lower overall cost	Yes	No
Complexity	Reduced	High
Product Flexibility	Greater	Reduced
Curtailement on bid price	Easier	Possible but complicated

