

Minutes

Day Ahead Auction and Capacity Trading Platform Project Teams Meeting No. 2

Date/Time: Tuesday, 4 April 2017, 12.00 pm

Location: AEMO Offices, Level 2, 20 Bond Street, Sydney

Attendees: *DAA project team*

John Jamieson, APA
Deidre McEntee, APLNG
Leon Devaney, Central Petroleum
Matt Sherwell, Santos
Jeff Cooke, SEAGas
Erin Bledsoe, Shell

GMRG

Daniela Moraes, analyst
Warren Vosper, analyst
Katherine Lowe, senior technical advisor
Sandra Gamble, facilitator

^ via telephone

CTP Project Team

Trent Leach, DBP
Andrew Zancanaro, Jemena
Andrew O'Farrell, Origin
Lino Fusco, CQ Partners
David Lawrence, Sydney Stock Exchange
Kristal Burry, PIAC
Luke Van Boeckel, Stanwell

Guests

Dr Michael Vertigan, GMRG Chair
Steve Davies, APGA
Nicholas Pope, AEMO
Daniel Hamel, AEMO

Apologies: Simon Camroux, AGL
Kevin Ly, Snowy Hydro

Purpose: Discuss options for governance and structure of the capacity trading platform and day ahead auction.

Reference:

DAACTP.2.20170404

	Agenda Item	Discussion	Actions	Decisions
1	Introduction and recap	<p>Noted the Prime Minister's recent announcement that the gas reforms are to be accelerated</p> <p>Discussed the following milestones for the provision of recommendations to the Minister and the Standing Committee of Officials:</p> <ul style="list-style-type: none"> • May for the operator and administrator of the capacity trading platform/s and day-ahead auction • In September for the form of contract standardisation and the design of the capacity trading platform/s • In December for the design of the day ahead auction <p>These milestones have been developed in the hope the reforms can be in place and operational before summer 2018/19.</p>		The group agreed on the need to accelerate the reforms and to work towards the new milestones
2	Recap on previous meeting	<p>Minutes were agreed to.</p> <p>The team noted the importance of the gas reforms and their commitment to the guiding principles</p>		
3	Assessment framework	<p>The group developed an assessment framework for the governance and structure of the capacity trading platform and day ahead auction</p> <p>The assessment framework is annexed</p>		
4	Address by Dr Michael Vertigan AC	<p>Noted the importance of the reforms and the accelerated work program.</p> <p>Highlighted the importance of industry taking a role in driving the reforms</p> <p>Set out his preference for the process to not be too prescriptive and allow for the group to respond to issues appropriately as they arise</p> <p>Acknowledged the work of the other teams involved in progressing the gas reforms</p>		
5	Discussion about the objectives of the reforms and the design detail	<p>The group discussed the key objectives of the reforms and a range of the detailed design questions to be addressed.</p> <p>Some of the key matters discussed by the group were:</p>		

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		<ul style="list-style-type: none"> • The kinds of participants that may purchase capacity • The pipelines to which the reforms will apply • The interruptibility of the capacity purchased through the auction • The seller's ability to make re-nominations on the day and the impact this could have on the auction. • The day ahead auction's \$0/GJ reserve price • The relationship between the two reforms and how they rely upon the other's success • The costs and benefits of a single or multi-platform approach. • How our preferences in respect of combinatorial auctions will influence other design considerations • The need to ensure the timing is consistent with timing obligations across the gas and electricity markets • The differences between different pipelines (different back-end systems, hourly or daily nominations) <p>The group also developed a wish list and list of design considerations for the day ahead auction which is annexed.</p>		
6	Options for governance and framework			
6.1	AEMO presentation on AEMO operated platform and auction	<p>The presentation was from Nicholas Pope and Daniel Hamel from AEMO.</p> <p>The slides have been distributed to the group separately.</p> <p>The presentation set out how AEMO could facilitate exchange based capacity trading using the Trayport platform.</p> <p>Also, AEMO explained how the existing system residue auction algorithm could be used to facilitate the day ahead capacity auction.</p> <p>AEMO provided implementation steps and cost estimates for both approaches.</p> <p>A number of matters were raised by the group in response to the presentation, including:</p> <ul style="list-style-type: none"> • The impact prudential requirements may have on smaller users needs to be considered. 	(GMRG) Circulate presentation	<ul style="list-style-type: none"> •

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		<ul style="list-style-type: none"> • The potential implementation of a different fee structure for different access or participation types • The integration with existing gas markets requires further thought <p>Members of the group acknowledged many of these issues were not AEMO specific and need to be resolved irrespective of who runs the capacity trading platform and/or auction</p>		
6.2	APGA presentation on industry operated platform and auction	<p>The presentation was from Steve Davies from APGA.</p> <p>The slides have been distributed to the group separately.</p> <p>APGA set out some of the key design issues that need to be resolved in relation to the auction, such as priority of service and the operator of the auction.</p> <p>The presentation also highlighted some of the issues that may arise from a centralised auction compared to a pipeline specific operated auction.</p> <p>The existing capacity services run by pipeline operators were highlighted.</p> <p>APGA noted that even if AEMO was to run the auction, pipeline operators would incur costs in addition to the costs highlighted by AEMO in its presentation.</p> <p>APGA also noted, in response to a question about whether the pipelines wanted to operate the capacity trading platform, that they were not advocating for this.</p>	(GMRG) Circulate presentation	
7	Preliminary assessment of options	<p>The group discussed the options for who could operate the capacity trading platform and after applying the evaluation criteria developed at the beginning of the meeting. Many in the group expressed the view that AEMO would be capable of operating and administering a platform of choice.</p> <p>The group also agreed that more thought needed to be given to who should operate the day ahead auction in the next meeting.</p>		
8	Next Meeting: Tuesday and Wednesday, 18 and 19 April 2017	<p>The group noted they will next meet over two days – on 18 and 19 April 2017.</p> <p>Items to be included on the agenda for the next meeting:</p>	<ul style="list-style-type: none"> • Provide feedback on the two sets of draft Terms of Reference • Develop timeline of gas day across the various pipelines 	

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		<ul style="list-style-type: none"> • Principles for the product – receipt/delivery points, firmness and renominations, market rights. • Which pipelines will the auction apply to? 	and interlinked markets and processes on the East Coast – for the day ahead auction	

Assessment framework for both the day ahead auction and the capacity trading platform:

- Platform of choice
 - Fast, effective, low transaction costs
 - Integrated with nominations and the scheduling/daily operation of the energy markets
 - Transparent – costs and operation
 - Predictable, reliable, independent, experienced
 - Enable trading across pipelines and link to the Gas Supply Hub
- Design features
 - Capture scope and scale benefits
 - Interoperable, open interface
 - Future proof, scalable, adaptable

The day ahead auction

Wish list:

- Create incentives to ensure the best, most efficient, product utilisation
 - Including pre-auction trading on the capacity trading platform
- Access to (contracted but un-nominated) capacity on contractually congested pipelines
- Integration with the Gas Supply Hub
- Cost effective, low transaction costs

Design aspects for further consideration:

- Should the auction of contracted but un-nominated capacity apply to all pipelines?
 - Consideration of combinatorial options
- Detail around the products
 - Priority over other capacity rights
 - The ability of the seller to make renominations
- Interaction with the gas and electricity markets