

# Minutes

## Day Ahead Auction and Capacity Trading Platform Project Teams Meeting No. 3

**Date/Time:** Tuesday, 18 April 2017, 10.00 am

**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  
Erin Bledsoe, Shell

*CTP Project Team*

Simon Camroux, AGL  
Andrew Zancanaro, Jemena  
Andrew O'Farrell, Origin  
Lino Fusco, CQ Partners ^  
David Lawrence, Pacific Markets Consulting  
Jennifer Tarr, Stanwell

*GMRG*

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

*Standardisation project team*

Simon Taylor, DBP

*Guests*

Nicholas Pope, AEMO  
Daniel Hamel, AEMO

^ via telephone

**Apologies:** Kevin Ly, Snowy Hydro

Jeff Cooke, SEAGas  
Kristal Burry, PIAC  
Trent Leach, DBP  
Ishara De Silva, EnergyAustralia

**Purpose:** Discuss options for governance of the day-ahead auction and the pipelines to be subject to the auction.

**Reference:** DAACTP.1.20170418

	Agenda Item	Discussion	Actions	Decisions / Views
1	<b>Recap on previous meeting</b>	<p>Minutes were agreed to subject to removal of highlighting.</p> <p>Recap on the key milestones for the provision of recommendations to the Minister and the Standing Committee of Officials due in May.</p> <p>The group was encouraged to be specific about what information they need to firmly recommend who should operate and administer the capacity trading and the auction.</p> <p>Highlighted that a high degree of consensus is desired, however a decision will be made even if that is not achieved.</p> <p>Advised that the pipeline operators are preparing a more detailed presentation on how they may be able to operate the day-ahead auction. However, because this information was not available in time for discussion this week, the combined project teams did not see significant merit in proceeding with the Wednesday meeting.</p>	<ul style="list-style-type: none"> <li>• A new version of the minutes will be circulated (minor typos).</li> <li>• The two sets of Terms of Reference will be updated and re-circulated with a new and clearer timeline.</li> </ul>	
2	<b>Timeline for gas day D-1</b>	<p>Jemena provided a table with the timelines for a typical gas day for its pipelines.</p> <p>The table was used to facilitate the discussion around the topic.</p> <p>The group acknowledged that the gas day starts at different times in the various jurisdictions. The team also mentioned the potential need to extend the Wallumbilla GSH operating hours depending on the timing of the auction.</p> <p>Some group members enquired about how this would interact with the gas day harmonisation rule change that will be implemented by 2021.</p> <p>The group brainstormed a few options, which were narrowed down to two possible options on when the day-ahead auction could take place, which are detailed in the Appendix.</p>		

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4	<b>Pipeline coverage in the day-ahead auction</b>	<p>Recap on the AEMC position on the pipelines and hub service assets to be subject to the day-ahead auction.</p> <p>Noted the potential for bi-directional pipelines, each way to be treated as separate pipelines.</p> <p>The group discussed the pipelines that should be exempt from participating in the day-ahead auction, and also the duration of such exemption. Three categories of exemptions were discussed:</p> <ul style="list-style-type: none"> <li>• Exemptions for pipelines that have a 15 year no coverage determination and are not providing third party access for the duration of the determination. The rationale for this exemption was that the auction could, in effect, require the provision of third party access contrary to the 15 year no coverage determination.</li> <li>• Exemptions for pipelines that service a single facility (e.g. gas fired generators or industrial customers), which was a preferred outcome of the AEMC's recommendations. The rationale in this case is that the cost of conducting an auction on such a pipeline is likely to outweigh the benefits because there are unlikely to be prospective users seeking capacity in the auction. The teams did not come to a clear view on this issue. One possibility that was flagged was the creation of a registry whereby prospective users could register their interest in having access to these types of pipelines through the day-ahead auction and for this to act as a trigger for the removal of exemption.</li> <li>• Exemptions for pipelines that are not fully contracted, which was a suggested outcome of the AEMC's recommendations. The teams identified three options in this case: <ul style="list-style-type: none"> <li>- All major pipelines subject to auction irrespective of contractual congestion.</li> <li>- Only fully contracted pipelines subject to auction.</li> <li>- Only fully contracted pipelines subject to auction initially but a</li> </ul> </li> </ul>		<p>The issue of auction coverage was significantly debated and a range of views were expressed on pipeline coverage. However, there was no overall agreement. When specifically asked, the majority of participants indicated they could accept the following, provided there are effective mechanisms to ensure that excluded pipelines can be included in the future:</p> <ul style="list-style-type: none"> <li>• fully contracted pipelines to be required to participate in the day-ahead auction</li> <li>• after 12 months of operation of the auction, there will be a review to decide if other pipelines should also be required.</li> </ul> <p>However, participants noted that the options would be discussed more broadly through the public consultation paper being prepared by the GMRG.</p> <p>The majority of participants also agreed that pipelines subject to a 15 year no coverage determination that are not providing third party access should be exempt for the duration of the determination.</p> <p>The teams did not reach a firm view on whether pipelines servicing a single facility should be exempt or not.</p>

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		<p>review to be undertaken 12 months after commencement to determine whether other pipelines should be included.</p> <p>The group was divided on this category of exemptions.</p>		
7.1	<b>Product design elements that may affect the governance arrangements</b>	<p>The group noted that if the day ahead auction is to only apply to contractually congested pipelines, the day-ahead auction should be carried out on a per pipeline basis (and not combinatorial). It was agreed though that there could still be the possibility for the bids to be placed on a conditional basis for a pre-defined path.</p>		
8	<b>Next Meeting: Tuesday, 02 May 2017</b>	<p>The group noted they will meet on 02 May 2017.</p> <p>Items to be included on the agenda for the next meeting:</p> <ul style="list-style-type: none"> <li>• Identification of the options for who should operate the day-ahead auction.</li> <li>• Select who will the auction operator.</li> </ul>	<ul style="list-style-type: none"> <li>• Pipeline operators to present on an industry operated day-ahead auction.</li> <li>• AEMO to present on AEMO operated day-ahead auction.</li> </ul>	

## Timeline options for day-ahead auction

### Option 1

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16:00 Daily nomination cut-off time (last time to guarantee firm delivery)

17:00 Schedule + publish indicative amount of available capacity to be auctioned

17:59 Bids close

18:00 Operator confirms capacity available and runs auction

18:01 Publish auction results

Renominations and scheduling are continuous

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### Option 2 (fast) - participants bid for capacity based on their own forecast

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16:00 Daily nomination cut-off time (last time to guarantee firm delivery) + Bids close

17:00 Schedule nominations + publish auction results

Renominations and scheduling are continuous

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