

Minutes

Day Ahead Auction and Capacity Trading Platform Project Teams Meeting No. 4

Date/Time: Tuesday, 2 May 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
Jeff Cooke, SEAGas
Erin Bledsoe, Shell
Kevin Ly, Snowy Hydro

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, Pacific Markets Consulting
Craig Memory, PIAC
Ishara De Silva, EnergyAustralia
Jennifer Tarr, Stanwell
Kieran O'Leary, AGL

Guests

Nicholas Pope, AEMO
Daniel Hamel, AEMO
Steve Davies, APGA

Apologies:

Purpose: Discussion on who should operate and administer the day-ahead auction.

Reference: DAACTP.4.20170502

	Agenda Item	Discussion	Actions	Decisions/views
1	Recap on previous meeting / updates on the reform agenda	<p>The minutes from the prior meeting were approved subject to some changes being made to reflect the position the project teams reached on the coverage of the auction.</p> <p>Some members questioned the purpose and timeline of the consultation paper. The group was advised that the role of the project teams was to make recommendations to the GMRG and that the GMRG would then use this as a basis to carry out broader public consultation, which would then inform the recommendations made by the GMRG to SCO and the Energy Council.</p> <p>The group discussed how coverage for the day-ahead auction could be based on the level of contractual congestion with reference to recent data sourced from the Bulletin Board. The group acknowledged that while some pipelines may be contractually congested at a point in time, that this can change, and consideration needs to be given to how to deal with the practical implications of this if coverage is to be based on contractual congestion.</p> <p>Updates were provided on other work streams:</p> <ul style="list-style-type: none"> • The Advisory Panel – it met for the first time on 28 April and will meet again on 21 July. • The standardisation work stream – it will be considering allocation agreements and the facilitation of imbalance trading through standardised contracts. 	<p>Update last meeting minutes with the new wording. Replace: <i>“The majority of the group agreed that they could live with the following:”</i></p> <p>With: <i>“This issue 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 <u>mechanisms to ensure that excluded pipelines can be included in the future:</u>”</i></p> <p>Text underlined was suggested by Leon Devaney in response to an email canvassing the proposed wording during the meeting.</p>	n.a.
2	Operator of the auction			
2.1	APGA presentation	<p>Steve Davies from APGA gave a presentation on how the auction could be run by individual pipeline operators. During the presentation APGA confirmed that:</p> <ul style="list-style-type: none"> • the pipeline operators were not proposing to carry out the auction as a joint venture; • it had been assumed the auction would not operate in a combinatorial across 	Provide copy of slides to the Working Group	n.a.

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		<p>pipelines (although there was a brief discussion on ways this could be achieved)</p> <ul style="list-style-type: none"> • pipeline operators were proposing to absorb the implementation costs of the auction and apart from a monthly fee for having an operational transfer in place were not intending to charge shippers purchasing capacity through the auction any additional fees. <p>APGA cited the following benefits of a pipeline-run auction:</p> <ul style="list-style-type: none"> • Earlier auction and results (i.e. because pipelines would not need to communicate with AEMO) and comply with reporting requirements. • More efficient allocation of capacity through scheduling and curtailment, with the auction capable of being run between specific receipt and delivery points and the scope to curtail on the basis of price, rather than pro-rata. • One location for auction bids and nominations. • Use of the same prudentials with the pipeline. • Lower estimated implementation cost (APGA estimated a cost difference of \$1.3 m between its proposal and AEMO's proposal). • Greater scope for innovation in the future, which could be driven by competitive tension between the pipelines. <p>A number of questions were raised by the group during the presentation about:</p> <ul style="list-style-type: none"> • The proposal by pipelines to absorb some of the costs • The complexity for users in having to use multiple platforms and the risks this could expose shippers to. • Real time data transfers • Governance, regulation and how changes would be made to the auction over time. <p>A list of the issues that were raised is provided in Appendix A.</p>		

	Agenda Item	Discussion	Actions	Decisions/views
		The group discussed the strengths, weaknesses and uncertainties associated with the APGA proposals, which are reflected in Appendix B.		
2.2	AEMO presentation	<p>AEMO gave an overview of its presentation from Working Group #2. AEMO noted that the benefits of its option are that:</p> <ul style="list-style-type: none"> • there would be a single centralised auction platform. • the auction could be conducted on a combinatorial or conditional basis • AEMO would leverage a number of existing systems to conduct the auction (e.g. the auction algorithm would be based on the inter-regional settlements residue auction) and utilise the existing settlement and prudential framework. • There is an established governance framework. <p>AEMO also noted its preference for trade to capacity trading zones to simplify the use of the auction. There was discussion around the definition of zones and notional points. It was noted the standardisation working group is tasked with addressing these issues.</p>		n.a.
	Discussion on options	<p>Project team members were given an opportunity to provide their views on who should operate and administer the auction. Through this discussion, the group identified the following strengths of the two options:</p> <p>Pipeline operator option:</p> <ul style="list-style-type: none"> • More timely auction. • More efficient allocation of capacity (if conducted on a receipt to delivery point basis). • Pipeline operators to absorb costs and shippers not using the auction would not face additional costs. • More flexible. • Lower implementation cost. <p>In relation to the latter of these points, a number of members stated that the difference in implementation costs was not significant enough to rule out AEMO.</p>		The issue of who should operate and administer the auction was widely debated and a range of views were expressed. While the project teams were unable to reach consensus on this issue, team members other than those from pipeline companies were of the view that, on balance, they would prefer that AEMO run the auction.

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		<p>AEMO option:</p> <ul style="list-style-type: none"> • Single platform and single operator of trading platform and auction, which is simpler for traders and more likely to facilitate liquidity. • Independent operator with an established record of managing markets. • Clearer governance arrangements. • Greater transparency. • Lower risk for traders. • Auction more scalable. • Auction capable of being conducted on a combinatorial basis. • The proposal to use the SRA auction algorithm was viewed positively by some members. 		
8	<p>Next Meetings:</p> <p>Monday, 15 May 2017 – Capacity Trading Project Team</p> <p>Wednesday, 17 May 2017 – Day-ahead Auction Project Team</p>	<p>Members were reminded that the next meeting/s will be divided between the two separate working groups.</p>		

- Platform of choice
- * Cost drivers (ie. of with NEMO)
 - * Interface / operation risks
 - + Standardised ATAs / OTAs.
 - x Combinatorial - no of auctions
 - * Product design (D/Rpts, flex etc), renominations
 - x Scalability, innovation, quality of charge
 - * Common auction / information format / interfaces / operation
 - * Robustness of centralised information (speed of transfers) - timing
 - ✓ Benefit of earlier auction operation
 - * Reliability of systems
 - * Accuracy of billing
 - * Productivity
 - * Billing of proceeds of the auction
 - * Governance / expansion
 - * Cost, ease of tx

Appendix B

Panasonic Panaboard

Pro's	Unknowns	Cons
<ul style="list-style-type: none">⊗ Pipelines would absorb the cost to them (implementation and ongoing)⊗ Less real time data transfer ↳ sooner execution of auction⊗ Ease of curtailment⊗ No new procedural with pipeline⊗ Auction eligibility is clear.⊗ No additional data interface⊗ Reduces cost/complexity to pipelines⊗ Ease of multiple auctions⊗ Individual pipes innovative ↳ drives pressure⊗ Doesn't move costs on AEMs/participants	<ul style="list-style-type: none">⊗ Regulatory timeframes.⊗ Clear cost of implementation/ongoing op.⊗ Timeframes - relative ↳ needs to be teased out in more detail⊗ Governance of rules? ↳ GTRs. <p style="text-align: center;">Stand — GTR Contract</p> <p style="text-align: center;">DAA CTP</p>	<ul style="list-style-type: none">* Potential for conflict of interest — ↳ governance* Separation from the CT platform. ↳ needs aggregation platform* Not AEMC's preferred outcome of a single auction

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Platform of choice

- * Governance / expansion
- * Cost, ease of tx

- * Producers
- * Billing of proceeds of the auction