

Minutes

Standardisation Project Team Meeting No. 4

Date/Time: Tuesday, 11 April 2017, 10.00 am

Location: Level 6, 201 Elizabeth Street, Sydney

Attendees:

<i>Project team</i>	Sally Calder, AGL Ainslie Lynch, APA Simon Taylor, DBP Samantha Staunton, Epic Michael Handley, Origin Brad Mills, Shell Peter Frost, EnergyAustralia Peter Tolhurst, Stanwell Jan Peric, Jemena
<i>Guest</i>	Dr Michael Vertigan, GMRG Independent Chair
<i>GMRG</i>	Nicole Dodd, analyst Angelo Mantsio, specialist technical advisor Katherine Lowe, GMRG senior technical advisor Sandra Gamble, GMRG facilitator

Apologies: Allan Ford, Arrow

Purpose: Preliminary discussion on operational contract terms

Reference: ST.4.20170411

	Agenda Item	Discussion	Actions	Decisions / Views
	Commencement	<p>The team noted an indicative timeline to accelerate the reform without compromising the design had been agreed such that, for the transportation work stream, the aim will be to make the following recommendations to the COAG Energy Council:</p> <ul style="list-style-type: none"> • May 2017 – Governance of platform and auction • September 2017 – standardisation of contracts and the design of the capacity trading platform • December 2017 – design of the day ahead auction. 		
1	Recap on previous meeting	<p>The team reflected:</p> <ul style="list-style-type: none"> • It was valuable to have clarity in the roadmap. • The detailed work plan is useful in setting out what and how the project team is to reach agreement on recommendations. <p>The minutes of the previous meeting were approved as a true record of that meeting.</p> <p>The team noted the progress that had been made by the other project teams.</p> <p>The team noted formal advice in relation to the Competition and Consumer Act had conferred the working groups are unlikely to raise competition concerns given safeguards have been applied:</p> <ul style="list-style-type: none"> • Formal agenda are circulated prior to the meetings • Independent minutes are taken and distributed. • Principles of team limit communication to within the bounds of the meeting and discourage side meetings. <p>The team noted it is recommended individuals seek independent advice to alleviate any further concerns.</p>		
2	Items for discussion – contract terms	<p>The team held a preliminary discussion regarding potential standardisation for the following contract terms. Note, where the team has reached in principle agreement, this is recorded in the ‘Decisions/Views’ column.</p>	<p>All - For all items that have in principle agreement (as per ‘Decisions/Views’ column), engage in preliminary discussions with respective organisations and wider industry that</p>	<p>The team provided in principle agreement, subject to testing, for the following clauses:</p>

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	<p><u>Metering</u></p> <ul style="list-style-type: none"> • Discussed the details included in the metering clause including: ownership, operation, maintenance, obligations, audit and correction, tolerance thresholds, calibration. • Discussed the differences between allocation and metering. • Discussed the obligation to provide the metering service should be with the pipeline operator, rather than the primary shipper. • Discussed that a secondary shipper should have a right of recourse for inaccurate metering. • Commented the baseline for the standard will be referenced to the Measurements Act. • Discussed a preliminary approach to this term as: <ul style="list-style-type: none"> ○ Ownership, operation and maintenance provisions for meters are accounted for in primary contracts and the responsibility for this service will not be required to be transferred in an operational contract to the purchaser of the secondary capacity contract. ○ Audit and correction provisions can be standardised, including: <ul style="list-style-type: none"> ▪ Provision against pipeline operator ▪ Thresholds set by lowest common denominator ▪ Independent auditor ▪ Reasonable request (set by tolerance levels) ▪ The person in error pays ▪ Applicable period is yet to be determined, this may be included in Billing provisions. <p>There may be technical details that can be further standardised in the secondary contract. Reference to a metering and measurement 'manual' of</p>	<ul style="list-style-type: none"> • The party responsible for odourisation is to be denoted via a check box for each pipeline. • Further details yet to be discussed such as details of liabilities <p>All - Research and understand detailed requirements for the metering and measurement clause to determine what details are required, which details can be standardised, and which need to be pipeline specific.</p> <p>GMRG – add to “parking lot” to revisit at a later stage:</p> <ul style="list-style-type: none"> • There may be an opportunity to improve allocation procedures, particularly where there are separate receipt and delivery meters at interconnection points between pipelines. • If a single shipper has both a primary and a secondary operational contract with a pipeline operator, how the interaction between these contracts including aggregation and netting is to be managed. 	

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	<p>pipeline operator to be published to include technical details for those for which standardisation is not feasible.</p> <p><u>Services – definitions</u></p> <ul style="list-style-type: none"> • Noted the priority for the group is to standardise the definition of a firm product, and this will afford the same or less rights than all other existing firm services on each pipeline. • Bespoke services are unlikely to be traded in secondary capacity trading. • Interaction of other services with firm to be discussed once auction product has been determined. • Discussed that if the firm service is likely to be impacted (for example by scheduled maintenance) then this should be disclosed in good faith. • Discussed the pipeline operator(s) will need to confirm trades are allowed. <p><u>Services – priorities</u></p> <ul style="list-style-type: none"> • Firm is the last to be curtailed. • Further discussion required to determine if priority differs for firm services with different rights (for example those with renomination rights). <p><u>Nomination deadline and procedures</u></p> <ul style="list-style-type: none"> • Commented the nomination procedures are similar already with shippers required to use the pipeline operator system and follow their procedure to make nominations day ahead and further ahead. • Discussed the various propriety systems used by different pipeline operators, and that standardising these is out of scope. All shippers that need to make nominations are required to have access to the relevant systems before trading in the secondary market for capacity on those pipelines. This can be a barrier for small players and for intermediaries. • Discussed if there was an opportunity to streamline the nomination and information sharing process between different pipelines with different pipeline operators. • Noted the other project teams will be mapping a typical gas 	<p>GMRG – add to “parking lot” to revisit at a later stage:</p> <ul style="list-style-type: none"> • Definition and priority of services other than ‘firm’. • What delivery and receipt points, including potential notional points, and flexibility in these points is included with the purchase of a firm service. <p>GMRG – add to “parking lot” to revisit at a later stage:</p> <ul style="list-style-type: none"> • Nomination deadlines until typical gas day timelines have been mapped. 	<p><u>Services – definitions</u></p> <ul style="list-style-type: none"> • Firm – firm transportation up to MDQ, subject to curtailment and other terms and conditions that permit interruption to the firm service. <p><u>Services – priority</u></p> <ul style="list-style-type: none"> • Firm has priority number 1. <p><u>Nomination deadline and procedures</u></p> <ul style="list-style-type: none"> • Recommend to standardise that nomination for services to be requested digitally using the pipeline specific process for month ahead, week ahead and day ahead.

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		<p>day timeline for pipelines in upcoming meetings and deferred discussion of the deadline until after this.</p> <p><u>Scheduling procedures</u></p> <ul style="list-style-type: none"> • Commented firm will be scheduled as long as there is no reason not to (for example, curtailment or if the shipper's imbalance is too high). • The timing will be dependent on the timing of the auction, and two scheduling runs may be required. <p>Discussion on <u>curtailment procedures</u> has been deferred until next meeting.</p>	<p>GMRG – add to “parking lot” to revisit at a later stage:</p> <ul style="list-style-type: none"> • Scheduling procedures since timing is dependent on the design of the day ahead auction. • The interaction between imbalance and scheduling procedures, including fuel gas requirements. <p>All - For the remaining clauses, the team will bring an understanding of the details of each for a preliminary discussion at the next meeting.</p>	
3	Break	N/A	N/A	N/A
	Address from Dr Michael Vertigan AC	<p>Dr Michael Vertigan, the independent chair of the GMRG introduced himself to the project team and thanked the project team members and their organisations for their contributions. Dr Vertigan reiterated the importance of the reform package for the future gas market, and the opportunities presented by industry involvement.</p>		
4	Project team road map	<p>The team noted the updated project team road map that reflected the new timelines agreed to between COAG Energy Council and the GMRG for making recommendations.</p> <p>The team will bring an understanding of the technical and commercial value of the various contract terms to the next meeting, to:</p> <ol style="list-style-type: none"> 1. Revisit the following terms to come to a preliminary in-principle agreement: <ul style="list-style-type: none"> • Start of gas day • Gas specification • Gas quality • Metering • Services – definition • Services – priority • Nomination Procedures 2. Hold a preliminary discussion regarding the remaining terms: <ul style="list-style-type: none"> • Curtailment procedures • Allocation procedures 		

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		<ul style="list-style-type: none"> • Imbalance tolerance/ penalty • Daily Variance tolerance/ penalty • Overrun tolerance/penalty • Transfers, assignment and novation of capacity • Prudential requirements • Representations and warranties • Possession, control and responsibility • Title • Liabilities and Indemnities • Default • Force majeure • Confidentiality • Dispute resolution • System use gas • Receipt point pressure • Delivery point pressure <p>Note, changing receipt and delivery point flexibility in standard contracts has been deferred to a later, stand-alone meeting.</p>		
5	Next meetings	<p>Meeting 5 to be a double meeting held face-to-face on Tuesday 26 April and Wednesday 27 April, 10am to 3pm in Sydney.</p> <p>The team discussed when the appropriate timing to include a legal advisor for drafting and agreed that as soon as possible would be best.</p>		