

Minutes

Standardisation Project Team Meeting No. 8

Date/Time: Tuesday 20 June 2017, 11.00 am | Wednesday 21 June 2017, 9:00 am

Location: Level 10, 10 Eagle St, Brisbane

Attendees:

<i>Project team</i>	Ainslie Lynch, APA Simon Taylor, DBP Brad Mills, Shell (Day 1) Peter Frost, EnergyAustralia Jan Peric, Jemena Paul Williamson, Epic
<i>GMRG</i>	Nicole Dodd, analyst Angelo Mantsio, specialist technical advisor Katherine Lowe, GMRG senior technical advisor Eamonn Corrigan, GMRG facilitator

Apologies: Sally Calder, AGL
Samantha Staunton, Epic
Michael Handley, Origin
Brad Mills, Shell (Day 2)
Peter Tolhurst, Stanwell*
*Peter Tolhurst has left the project team due to competing work commitments.

Purpose: Standardised terms for operational transfers and other contracts

Reference: ST.8.20170620

	Agenda Item	Discussion	Actions	Decisions / Views
1	Recap on previous meeting	<p>The minutes of the previous meeting were approved.</p> <p>Eamonn Corrigan was introduced to the team, as the new facilitator for the meetings, as well as facilitator for the Capacity Trading Platform project team.</p> <p>The team reflected on their progress to date:</p> <ul style="list-style-type: none"> • There has been a lot of progress made in coming to a position on the operational terms. More consideration is to be given to dealing with terms such as liabilities based on further research and legal drafting. • The last meeting was useful to discuss allocation agreements and ways to provide enhanced receipt and delivery point flexibility. <p>The team noted the GMRG had progressed in procuring lawyers to assist in drafting the agreements and other work packages, and they would be invited to the next meeting.</p> <p>The team noted the progress that had been made by the other project teams, and in particular noted that the Capacity Trading Platform was considering both firm and park and loan products to be available on the platform – the Standardisation team will need to consider applicability of terms to these products.</p>		
2	Update on work on receipt and delivery point flexibility	<p>The team noted the progress pipeline operators have made on work carried out on zones and other elements of receipt and delivery point flexibility, and:</p> <ul style="list-style-type: none"> • Noted the impetus for providing additional receipt and delivery point flexibility so a shipper is not restricted to trading 	<p>Pipelines to further consider the arrangements for receipt and delivery point flexibility and report back to the project team at the July 17 and 18 meeting.</p> <p>GMRG to report on further research regarding the arrangements in New Zealand and the US and any applicable lessons.</p>	

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	<p><i>Implications for throughput charges for capacity trading</i></p>	<p>between specific points thus increasing liquidity.</p> <ul style="list-style-type: none"> • Noted pipeline operators have made progress on working through how zoning may work for their pipeline(s), considering current arrangements. At this point, it appears to be feasible for each operator, but may be complex for some to undertake the necessary modelling to put in place the structure. • Discussed the need to have primary and secondary capacity at each point within a zone in case a particular point is constrained. The team discussed the likelihood of this being required in normal system operation. • Discussed points with contribution investment arrangements, and how this may be impacted by zones. The team considered this could likely be dealt with in the shipper to shipper arrangement (eg. bilateral contract) or in allocation agreements. • Discussed the differences in transferring capacity within a zone compared to between two zones if the zonal model is put in place. • Clarified the intended integration between receipt and delivery point flexibility and the trading platform is that the products offered on the platform will be zonal. <p>The team also discussed the impact of some pipelines charging a combination of a capacity and throughput charge for primary capacity (majority only charge a capacity charge):</p> <ul style="list-style-type: none"> • Discussed if this should be considered by the trading platform, and had concerns regarding preserving anonymity if different shippers have a different proportion of capacity to throughput than other shippers. 		

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		<ul style="list-style-type: none"> • Considered the primary shipper could incorporate the throughput charge into their capacity offer, and assume that the secondary shipper will flow 100%. If the secondary shipper does not flow 100%, the primary shipper will essentially make a profit as they will not be charged the full throughput charge by the pipeline operator. • <i>Throughput charges were further discussed in regards to the auction, and the necessary contract arrangements in agenda item 4.</i> 		
3	Recap on operational transport standardised terms and conditions	<p>The team considered the view they had previously come to on the terms in the operational transport agreement (OTA) (between pipeline operator and secondary shipper), and:</p> <ul style="list-style-type: none"> • Discussed if the terms could apply to park and loan products, and came to a preliminary view, as per the 'Decisions/Views' column. • Clarified their agreement of the high level terms for the OTA, as described in the 'Decisions/Views' column. • Noted there were a number of terms that required more detail to be considered, such as curtailment events and liability and indemnity, but the team agreed this could be considered in line with drafting. • Discussed the integration of the allocation procedures term in the OTA, and allocation agreements, based on the discussion regarding allocation agreements in the previous meeting. • Discussed that scheduling twice for the auction will need to consider how and when System Use Gas is scheduled too. • The team came to a high level view on allocation agreements, as detailed 		<p>The team considered that to incorporate park and loan products into the OTA:</p> <ul style="list-style-type: none"> • A 'park' and a 'park and loan' product would need to be defined, if the pipeline operator offered this service on their pipeline. A 'loan' product would not exist without the 'park' as the gas has to be brought onto the pipeline. Both 'park' and 'park and loan' services require an underlying transportation agreement. • The rest of the terms that the group had come to a view on assuming a 'firm' product, are likely to hold for these products at least at a high level, any different details will be considered in line with drafting. <p>The team clarified the high level agreement for the following terms in the OTA:</p> <ul style="list-style-type: none"> ○ Service definitions to now include 'park' and 'park and loan' ○ Term regarding allocation procedures to reflect the general APA term ○ Prudential requirements to be pipeline by pipeline to allow each pipeline operator to assess the credit worthiness of the counterparties. This will depend on the

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		<p>in the right hand column. In forming this view, the team considered:</p> <ul style="list-style-type: none"> ○ Whether shippers could be deemed to be a party to allocation agreements in the OTA. There were concerns this may be open to dispute. Pipeline operators may also have to seek pre-agreement at each point to allow deeming, and this could be complex for some. ○ Whether all allocation agreements could be included as schedules in the OTA. The team considered this was likely to also be complex and time consuming to set up, and may not be possible. Pipeline operators are not currently typically privy to agreements where they are not the allocation agent, and there could be confidentiality issues to add all these to the OTA. Further complexity could also be introduced if an allocation agreement is to be changed in the future if all shippers on the pipeline are automatically a party on every allocation agreement. Similarly, if shippers are party to all allocation agreements, there may be unnecessary reporting introduced. ○ Regardless of the allocation agreement arrangement, shippers will be required to be set up in the pipeline operator systems at the relevant points prior to trading, and secondary shippers will have to have the MDQ they have purchased recorded in the system. If a shipper is required to be a party to all allocation agreements, this may introduce 		<p>platform and auction design.</p> <ul style="list-style-type: none"> ○ Any reference to 'penalty' to be replaced with 'charge' in relation to imbalance and overrun. <p>The team agreed for allocations:</p> <ul style="list-style-type: none"> • The allocation procedures terms in the OTA could reflect APA's general term – 'as per multi-shipper agreement or pro-rated by nomination' as a starting point. • There is to be transparency requirements for specifying who to contact and where shippers should go to sign up to an allocation agreement.

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		<p>additional fees, and time to set up new shippers. There may be opportunities to streamline the process to set up a new shipper, depending on the pipeline.</p> <ul style="list-style-type: none"> ○ Given these complexities, the team agreed that increasing transparency regarding allocation agreements was likely to provide the most value. ○ Notional points will also be considered further for encouraging liquidity. 		
4	Break	N/A	N/A	N/A
5	Standardised terms and conditions for auctioned capacity (between pipeline operators and auction winners)	<p>The team noted the progress made in the design of the Day Ahead Auction:</p> <ul style="list-style-type: none"> • The financial arrangements will depend on who operates the auction. Governance is yet to be decided, with a decision from COAG EC expected in July. • The Day Ahead Project team is continuing to analyse the auction product, its firmness, and its interaction with existing rights. For now, the Standardisation team will be considering an interruptible product, but noted the contract terms are to be different than a standard interruptible product. • The auction is likely to occur after the nomination cut-off time, and original scheduling of each platform so that bidders have knowledge regarding the scarcity of the product. • The charge is to be a capacity charge, with shippers able to get a refund if they get interrupted if it is an interruptible product. The team raised concerns regarding this charging regime if there was a throughput charge on the pipeline. • Risk management options such as ability to buy as available from the 	GMRG to discuss with the Day Ahead Auction Project Team the implications and risk of gaming by either or both shippers and pipeline operator depending on the design if there is a throughput charge for shippers with firm products on the pipeline.	

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		<p>pipeline operator if the auction winner gets interrupted by a firm renomination.</p> <p>The team considered each term in the OTA, and whether the high level agreement they had reached for the firm traded product would hold for the auction product for the agreement between the pipeline operator and the auction winner, as detailed in the 'Decisions / Views' column to the right. In coming to this agreement, the team:</p> <ul style="list-style-type: none"> • Discussed the timing of the AEMC's Rule Change on Harmonising the Start of the Gas Day given the accelerated timeline • Discussed the integration of the new arrangements with the wholesale markets. • Discussed intraday nominations and priority of renominations. • Discussed whether the services (primary, secondary trading, and the auction product) can all sit within the same agreement as an umbrella agreement with effectively purchase orders. • Noted the quantum of liability for auction product same as secondary trades; even if a small amount of off-specification gas is put in to the pipeline, can still do significant damage. • Discussed the ability of the pipeline operators to undertake prudential and credit worthiness checks on secondary shippers for liability and to cover imbalance and overrun charges. • Discussed how auction winners will be able to manage imbalances. • Discussed system use gas and how this is to be scheduled before and after the auction. 	<p>GMRG to circulate papers or presentations regarding the integration of the new capacity trading arrangements with the wholesale markets to the team as these come available.</p> <p>GMRG to confirm if compression products for hub services are to be included in the same agreement.</p> <p>GMRG to add to the parking lot to consider mechanisms for auction product "winners" to clear their imbalance, such as imbalance trading.</p>	<p>The team came to a high level agreement that the agreement that had been reached on most of the terms of the OTA for the firm product would hold for the auction product. The terms for each are detailed in Appendix A. Any terms in the OTA which the team clarified their positions on (as in the 'Decisions/Views' column under Agenda Item 3) are also specified in their now agreed form.</p>
6	Break between days	N/A	N/A	N/A

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7	Recap on previous day	<p>The team reflected:</p> <ul style="list-style-type: none"> • Progress had been made in discussing the applicability of the terms to the auction product. • Flexibility in receipt and delivery points could be achieved through zones but need to consider whether to standardise across pipelines the process for seeking and evaluate an application to change points 		
8	Exchange traded capacity agreements	<p>Angelo Mantsio presented on the Gas Supply Hub (GSH), the voluntary market for commodity trading at Wallumbilla and Moomba, and the team discussed:</p> <ul style="list-style-type: none"> • The exchange agreement for the GSH, and how this is to be amended if AEMO is the party to operate the capacity trading platform. • How AEMO monitors credit worthiness of traders, and how the prudential arrangements are managed on the platform. • How limits set by pipeline operators for trading, based on their prudential assessment of the participant could integrate with the platform under either governance structure. • Warranty provided by participants that they can fulfil the gas delivery obligations. • Expected timing with the capacity market, and if the GSH open hours will be adjusted. • The pre-matched trading facility. • Ability to manage imbalances on the platform for locations that are on the GSH. <p>Discussion of the exchange agreement for the capacity trading platform has been deferred until after the Governance arrangements have been decided.</p>		
9	Bilateral capacity trading agreements	The team discussed what arrangements are required for bilateral capacity trading	GMRG to add to the parking lot for further discussion the requirement for offers to be	The team agreed that bilateral capacity trading agreements between two shippers did not require

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		<p>shippers are still able to do bilateral operational transfer and nominate against their primary agreement.</p> <ul style="list-style-type: none"> • On the other hand, if trade using operational transfers was restricted to being on a secondary agreement, this may reduce flexibility for shippers who can currently use their primary agreement. • The administration under either alternative could be complex; primary and secondary capacity will need to be distinguished through pipeline operator systems regardless. • The team considered whether shippers would be allowed to transport secondary capacity on their primary GTA would have to be mandated either way, or if each pipeline operator could decide how secondary trades are dealt with on a case by case basis when the shipper sets up its arrangements with the pipeline operator. Each pipeline operator would, as a minimum, have to offer the standard operational transport agreement to any shipper for secondary trading. • Questions were raised about whether the use of primary GTAs rather than the operational GTAs may mean the product being sold on the trading platform is no longer homogenous and if that could be a problem. 		
10	Break	N/A	N/A	N/A
11	Bilateral capacity trading agreements (continued)	Discussion minuted against item 9.		
12	Project team road map (2)	<p>The team considered what guidance should be provided to the lawyers as they embarked on preliminary drafting:</p> <ul style="list-style-type: none"> • Consider existing standard agreements for APA and Jemena, as 		

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		<p>well as information provided by other pipeline operators, and the viewpoints the team has reached on each term.</p> <ul style="list-style-type: none"> • Add boiler plate terms • Work towards a minimalist contract, which is simple and in plain English. 		
13	Next meetings	The team agreed to meet for just one day for the next meeting, on Tuesday 4 July in Sydney, and focus on providing guidance to the lawyers.		

Appendix A: Application of Operational Transport Agreement terms to the Auction Product

Term	Operational Transport Agreement (OTA) (Pipeline Operator and Secondary Shipper)	Auction (arrangement between Pipeline Operator and Secondary Shipper, where the shipper is participating in the auction, and wins transportation rights on the pipeline in the form of the auction service)
Comment on agreement	Minimum default agreement on offer to secondary shippers to allow for capacity trading. Still a question as to whether capacity trading will be accommodated in primary GTAs or not.	Still a question as to whether secondary shippers can use existing GTA, and incorporate in auction product and related services or will need a separate OTA to participate in the auction
Start of gas day	Same time as AEMC recommendation to harmonise start of gas day time with Victoria - 0600 AEST. Different standardised time for WA given not connected. NT - given to be connected likely to recommend to harmonise	Same as OTA
Nomination deadline	Parked until other project teams work out gas day timeline.	Parked until other project teams work out gas day timeline, and integration with auction.
Gas specification	References the Australian Gas Specification standard as updated from time to time as the minimum and all applicable laws, with a reference to pipeline specifications if there are specific technical requirements to limit the specification further on a pipeline.	Same as OTA
Gas quality	<p>To include:</p> <ul style="list-style-type: none"> o Gas supplied must be in accordance with the gas specification. o The service provider can refuse to accept gas if it is off-specification. o The service provider must use reasonable endeavours to not receive gas if instructed not to. o Each party must advise the other as soon as practicable once they are aware of off-specification gas. o The party responsible for odourisation is to be denoted via a check box for each pipeline. <p>Note, liabilities for off-specification gas are to be further discussed in the context of the wider liabilities and indemnities in the contract.</p>	Same as OTA
Metering	<ul style="list-style-type: none"> • Refers to a pipeline specific 'metering and measurement guideline' or contract schedule for pipeline specific details including: <ul style="list-style-type: none"> o Operation and maintenance o Tolerance o Calibration and testing • Establishes the secondary capacity holder has a right to raise an error with the 	

	<p>pipeline operator, with the specific process and error correction timeframes to be specified in the pipeline specific 'metering and measurement guideline' or contract schedule</p> <p>Accommodates ownership of meters (without needing to standardise the specifics).</p>	
Services - definitions	<p>Firm - transportation up to MDQ, subject to curtailment (and other terms and conditions).</p> <p>Others PARKED until after auction product, and platform product(s) decided.</p> <p>The platform group is looking to recommend 'Park' and the 'Park and Loan' services to be sold on the platform, if the pipeline operator offers these services. These will also need definitions.</p> <p>Similarly the final auction product will need a definition.</p>	Waiting until definition of auction product decided by auction group.
Services - priorities	<p>Firm is priority number 1.</p> <p>PARKED until auction product, and platform product(s) decided.</p>	<p>Firm is priority number 1.</p> <p>PARKED until auction product, and platform product(s) decided.</p>
Nomination procedures	<p>Services requested digitally by pipeliner's requested process month ahead, week ahead, and day ahead (firmed).</p> <p>Nomination deadlines (PARKED until after auction group decides timeline) but will be looking to standardise.</p>	Same as OTA in that the procedures for nominating the auction product are likely to be the same, just a different time deadline.
Scheduling procedures	<p>Timing dependent on auction - PARKED.</p> <p>Normally about 2h after noms.</p> <p>With auctions will need two scheduling periods, and need to work out how scheduling of SUG will fit in with this.</p>	<p>Timing dependent on auction design - PARKED.</p> <p>With auctions will need two scheduling periods, and need to work out how scheduling of SUG will fit in with this.</p>
Curtailment procedures	<ul style="list-style-type: none"> • Curtail according to service priority (acknowledging that there are items on the parking lot to further define the products and priority once the auction product has been defined). • Curtailment within firm services to be pro-rated via MDQ, nomination, or scheduled quantity according to pipeline specific schedule. • Permissible curtailment events to include: <ul style="list-style-type: none"> ○ Planned maintenance (uncapped right) ○ Unplanned maintenance, including that required to protect the operational integrity of the pipeline or safe operation of the relevant pipeline and in accordance with laws and approvals. ○ Force Majeure affecting pipeline operator. ○ Where gas has not been receipted onto the pipeline. <p>Liabilities to come</p>	Same as OTA, the auction product will just be another service in the priority stack.

Allocation procedures	<p>Similar to APA agreement - as per multi-shipper agreement or pro-rated by schedule or nomination.</p> <p>The group has recommended there is to be more transparency around where to go to become a party to multi-shipper agreements.</p>	Same as OTA
Imbalance tolerance / charge	<ul style="list-style-type: none"> • Recommend the standard definition of imbalance is 'in respect of a period of time, the difference between the quantity of Gas received from or on account of Shipper at the Receipt Points and the quantity of Gas delivered to or for the account of Shipper at the Delivery Points during that period.' • Recommend the contract accounts for both authorised and unauthorised imbalances. • Recommend includes process for the pipeline operator to correct the imbalance if it may or is impacting the service provision to other shippers on the pipeline. The mechanism for this correction is yet to be determined, and could differ between different pipelines. • Recommend the provision for imbalance trading to be included in the contract, with the pipeline operator required to accept trades if requested and confirmed by the shippers. The financial flow for the trade between the shippers would be decided outside of the operational transfer agreement. <p>Calculation to be determined.</p>	Mechanisms for imbalance trading, especially for one day auction products / trades still to be discussed.
Daily variance tolerance / charge	Do not include clause	Same as OTA
Overrun tolerance / charge	<p>Emulate the Jemena standard EGP transportation contract Clause 7 as a starting point, including:</p> <ul style="list-style-type: none"> • The Shipper may nominate Overrun gas • The Service Provider may authorise Overrun gas nominated by the shipper if, in the Service Providers' sole discretion, there is sufficient Capacity to deliver the Overrun Gas • Service Providers must use reasonable endeavours to deliver Authorised Overrun Gas • Service Providers are under no obligation to accept a nomination for Overrun Gas. • Overrun Gas is interruptible at the absolute discretion of the Service Providers. • The definition of Overrun as referenced to the MDQ or scheduled quantity could be managed in a schedule to the contract for pipeline specific requirements to 	Same as OTA

	<p>maintain consistency in pipeline operator IT systems.</p> <ul style="list-style-type: none"> Charges for both authorised and unauthorised overrun gas could also be specified in a pipeline specific schedule. 	
Changing receipt/delivery points	Investigating zones	If the zones are found to be implemented, bidding for auction capacity will be done zonally, and then nominated at points. There will still be primary / secondary priority at particular points if congested.
Transfers, assignment and novation of capacity	<ul style="list-style-type: none"> General prohibition on transfer or change in control without consent, not to be unreasonably withheld for a technically and financially capable assignee. Bare transfers of contracted capacity permitted, Shipper remains liable. Novation not to be allowed, just provision to terminate 	N/A
Representations and warranties	<ul style="list-style-type: none"> Those specified in the table for Epic's contract are adequate for each party, plus Those provisions specific to shippers in APA's standard contract to form the recommendation for this provision 	Same as OTA
Possession, control and responsibility	<ul style="list-style-type: none"> Gas can be comingled Possession and control passes from the shipper to the service provider at receipt onto the pipeline and back to the shipper at delivery. Legal responsibility to be determined. 	Same as OTA
Title	<ul style="list-style-type: none"> Title of gas stays with the shipper. Shippers are required to provide System Use Gas, with and the process for doing so specified in a schedule. 	Same as OTA
Liability and indemnities	<p>Further discussion required. Preliminary views include:</p> <ul style="list-style-type: none"> Definition of direct and consequential loss based on Jemena and APA's standard agreements. Specifies the permitted and non-permitted events that may impact the service. Permitted events, which specify where the pipeline operator has an exclusion to provide the service, or for the shipper to pay, are to be: <ul style="list-style-type: none"> Maintenance (planned and unplanned) - Interruptions due to maintenance, both planned and unplanned, is to be allowed uncapped. Force Majeure is to have a termination provision after 12 months Other to be defined as based on the standard APA clause Non-permitted events are all events other than those permitted, including: 	Same as OTA

	<ul style="list-style-type: none"> • Wilful misconduct, gross negligence and fraud based on Jemena and APA's standard agreements • Off-specification gas liability is yet to be defined 	
Default	<ul style="list-style-type: none"> • Cure period to be 7 days for financial, and 21 days for a non-financial default. • The annexed table (see minutes - ST.6.170509) contains a starting point for the provisions of the agreements. 	Same as OTA - if day to day may not be applied, but could have similar terms - eg. the ability to suspend, and can still have breach of contract provisions.
Force Majeure	<ul style="list-style-type: none"> • Secondary shipper to pay any applicable charges to the pipeline operator regardless of force majeure having been called by any party. • Secondary shippers to not be given the provision to call force majeure in the Operational Transport Agreement (between pipeline operator and secondary shipper) These are detailed in the table annexed (ST.6.170509). 	Same as OTA
Confidentiality	As per the standard agreements or the Gas Supply Hub Exchange Agreement with carve outs for any obligations introduced in the Rules.	Same as OTA
Dispute resolution	<p>The following dispute resolution mechanisms to be offered in the secondary contracts:</p> <ul style="list-style-type: none"> • Negotiation between the parties • If applicable (technical or financial) experts can be engaged for a binding decision • Court as a last resort. <p>The team agreed to not include arbitration.</p>	Same as OTA
System Use Gas	<p>System Use Gas</p> <p>Ref ST.5.20170426.9: Shippers are required to provide System Use Gas, with the process for doing so specified in a schedule or manual.</p>	Same as OTA
Receipt and delivery point pressure	these be included in a pipeline specific schedule or manual.	Same as OTA