

Minutes

Day Ahead Auction Project Team Meeting No. 8

Date/Time: Thursday, 29 June 2017, 10.00 am to 3.00pm

Location: AEMC Office, Level 6, 201 Elizabeth Street, Sydney

Attendees: *Project team*
John Jamieson, APA
Deidre McEntee, APLNG
Leon Devaney, Central Petroleum
Andrew O'Farrell, Origin
Matt Sherwell, Santos
Jeff Cooke, SEAGas
Erin Bledsoe, Shell
Nicholas Pope, specialist technical advisor
Tom Walker, specialist technical advisor

GMRG
Daniela Moraes, analyst
Nicole Dodd, analyst
Sandra Gamble, facilitator
Katherine Lowe, senior technical advisor^

Guest
Josh Stabler, Energy Edge^

^by telephone

Apologies: Kevin Ly, Snowy Hydro

Purpose: Auction product design.

Reference: DAA.8.20170629

	Agenda Item	Discussion	Actions	Decision/views
1	Recap on previous meeting			
1.1	Reflections from prior meeting	<ul style="list-style-type: none"> Members said good progress was achieved in understanding the issues at hand; and options regarding the renomination issue were further fleshed out and could be discussed further. The team noted the GMRG will consult publically on these options. The group noted they had considered that 'as available' products are considered valuable, and may not be phased out as per a suggested outcome from the AEMC. 		
1.2	Minutes of the previous meeting and action list	<ul style="list-style-type: none"> Agreed on the minutes from meeting #7. 		
1.3	Transfer of information from other working groups	<ul style="list-style-type: none"> Capacity trading platform: next meeting was cancelled because the group has made good progress and is now largely dependent on a decision from COAG EC and detailed design considerations. Standardisation: lawyers have been appointed to the GMRG to draft a standardised operational gas transportation agreement and consider the other legislative requirements of the reform package. Consultation paper intended to be published in August 2017. 		
2	Energy Edge analysis of historical data on interruption			
2.1	Discussion on the analysis carried out by Energy Edge on historic data to examine the likelihood auctioned capacity is interrupted	<ul style="list-style-type: none"> Energy Edge was engaged to analyse Natural Gas Services Bulletin Board data regarding historical constraints and congestion of the BB pipelines. The purpose of this analysis is to understand the likelihood that the auction product will be interrupted by renominations. The group noted that the reform package will introduce a new regime, and 	<ul style="list-style-type: none"> GMRG to circulate Energy Edge report. Group members to provide feedback on the report by 06 July. An additional conference call will be organised to discuss the findings of the report. The GMRG and Tom Walker (AEMC) to bring back to the 	

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		<p>the historical analysis should be considered in this context.</p> <ul style="list-style-type: none"> • A conference call was held with Josh Stabler (EE) to discuss the analysis. Josh presented the Moomba to Adelaide Pipeline (MAPS) as an example. • Group members discussed the analysis, noting that interpretation data from the BB can be complex. Questions were raised regarding the processing of the data and the group agreed to undertake further review of the report and provide feedback to Energy Edge. • Overall, the preliminary conclusions of the report suggest: <ul style="list-style-type: none"> ○ The actual flow on a pipeline is generally less than the nominated flow (lower likelihood of being bumped). ○ Most pipelines have some quantity of auctionable capacity on most days. • The group agreed that these conclusions correlated with their expectation based on their experience, however this will depend on auction and product design. For example, the treatment of backhaul and bi-directional capacity in the auction will have a material impact on auctionable quantity. • The BB rule change currently ongoing is unlikely to be applied retrospectively. This means that the data that is currently available will continue to be required to be used for analysing historical trends. 	<p>group options for calculating auction quantity, including treatment of backhaul / bidirectional capacity.</p>	
3	Recap on product design			
3.1	Recap on the options currently being considered	<ul style="list-style-type: none"> • The group noted the progress they had made in the previous meeting to flesh out the options of the product, and that these would be taken to public consultation. 		

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3.2	Discussion on the approach used in the EU	<ul style="list-style-type: none"> • The group discussed papers from the European Commission and the Brattle Group regarding international experiences with introducing capacity trading and use-it-or-lose-it auction capacity that were circulated for pre-reading. • The group discussed the papers, expressing mixed views, including: <ul style="list-style-type: none"> ○ The papers were an interesting read and refresher. ○ Concerns of going backwards in the reform: it is not the task of the group to revisit the rationale for the AEMC recommendations. ○ One member argued whether the trading in the EU was creating value or just volume, based on conversations with EU traders. ○ Discussed the different regulatory regime and political environment in the EU to facilitate market disruption. ○ Commented on the relevant learnings that could be taken from the international experiences in dealing with issues such as renomination rights and stress testing ideas. 		
4	Break	N/A	N/A	N/A
5	Interaction with the facilitated markets			
5.1	How the auction product will interact with the STTM, DWGM	<p>Nic Pope (AEMO) presented on how the auction product could interact with the STTM and DWGM markets, including key times for the auction for each, and the group discussed:</p> <ul style="list-style-type: none"> • Whether the new proposed streamlined STTM balancing markets (as proposed by the AEMC in the East Coast Review), and changes to the DWGM should be taken into account. The group considered this should be taken into account if a rule change is required, but otherwise until more is 	<ul style="list-style-type: none"> • GMRG to circulate presentation slides. • GMRG to add to parking lot: <ul style="list-style-type: none"> ○ How accreditation in the DWGM will be impacted by the auction product. ○ STTM: do balancing services (eg. overruns and imbalances) move to the new capacity holder or 	

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		<p>known, the group will proceed assuming that markets are as is. However, if a substantial compromise is being made to fit auction design into the current regime, then the group should consider this further.</p> <ul style="list-style-type: none"> • For the STTM: each hub (Adelaide, Sydney and Brisbane) is a separate market. <ul style="list-style-type: none"> ○ Auctioned capacity could be managed in similar way to how renominations are managed in the existing market – through Market Schedule Variations (MSVs). MSV is a modification to the market schedule and are common, occurring most days. Participants use it to avoid exposure to deviation payments. ○ MOS (market operator services) is a daily market mechanism for allocating balancing gas at the STTM hubs. It can be provided by shippers that hold park and loan or imbalance accounts with the pipeliner. A day-ahead auction that releases firm capacity will not necessarily impact the ability to provide MOS. ○ MOS is one way to monetise capacity for current capacity holders. The group discussed if MOS can be considered a signal for investment (seems that so far it has not resulted in further investment in pipeline capacity). • DWGM: <ul style="list-style-type: none"> ○ Auctioned capacity will occur to the borders of the DTS. ○ Discussed the interaction between allocation agreements of pipelines and in the DTS, and flexibility of the auction product (that is, maximum hourly quantity – MHQ 	<p>only the MDQ? That is, does the original MDQ holder retain their overrun rights, even if their MDQ has been put into the auction.</p> <ul style="list-style-type: none"> ○ STTM: what should happen with variation charges? 	

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		variation).		
6	Project team road map	<ul style="list-style-type: none"> • A tender process is ongoing at the moment to select an auction design expert to participate in the group meetings and provide advice. 		
7	Close	N/A	N/A	N/A
8	Next Meetings Tue-Wed, 18-19 Jul 2017 – Day-ahead auction Project Team meeting (Sydney)	<ul style="list-style-type: none"> • Next meeting was re-scheduled to 18-19 July to accommodate the selection of the auction design expert. • Meeting will take place in Sydney. 		