



Attachment 2 Stakeholder feedback template - AGL

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in this paper and any other issues that they would like to provide feedback on. The GMRG strongly encourages stakeholders to use this template, so that it can have due regard to the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern.

PART A – Standardisation Reforms

	Questions	Feedback
3.2	Contracts to be standardised	
1.	Given the objective of the standardisation reforms is to facilitate more secondary capacity trading and the majority of trade is expected to be conducted using operational transfers, do you think it is sufficient to standardise terms for operational GTAs, or do you think primary GTAs also need to be standardised?	At this stage, there is no reason to standardise primary GTAs. Operational transfers offer all parties the opportunity to trade on non-primary GTA terms. Standardisation of primary GTAs could create unnecessary risk to both shipper and transporter, and there is no evidence that it will provide an overall benefit to the industry.
2.	Do you think there is any value in carrying out more work to standardise the CTA for bilateral trades that are given effect through a bare transfer? If so, what amendments do you think need to be made to the contract that AEMO has developed?	No, these are largely sufficient.
3.3	Standard terms and facility specific terms	
3.	Do you think the standard terms and the proposed scope of the facility specific terms: <ul style="list-style-type: none"> ○ will achieve the stated objectives of facilitating more secondary capacity trading by making capacity products more fungible and reducing search and transaction costs? If not, please explain why. ○ are fit for purpose and embody the principles set out in section 2.3? If not, please explain why. 	Yes, these standard terms and their evolution over time, will form the basis of standard products on which we can build a fully tradeable capacity market. It is unclear whether these products and trading environment will support long term investment commitments from shippers. Transporters rely on shippers to underwrite investments in the form of capacity expansions and the like through long term offtakes. If the trading platform is successful, with frequent trading occurring, it is likely that shippers would reconsider whether the platform can meet their capacity requirements and, as a result, whether these long term commitments are required.



	Questions	Feedback
4.	<p>Do you think the balance between the standard terms and facility specific terms is appropriate, or do you think:</p> <ul style="list-style-type: none"> ○ a greater level of standardisation is required? If so, please specify which provisions you think should be standardised. ○ a lower level of standardisation is required? If so, please specify which provisions you think should not be standardised. 	<p>Yes. The pipelines are different in age, size and operational set up. To create a trading platform, we need to recognise these differences and create products that accommodate these differences, yet allow shippers to trade around them. The focus on standardisation should be on terms that do not need to be tailored to reflect the operational conditions of the pipelines.</p>
5.	<p>Do you agree with the proposed approach to the <u>secondary shipper's</u> liability for off-specification gas? If not:</p> <ul style="list-style-type: none"> ○ Do you think there should be limits on the secondary shipper's liability for off-specification gas? If so, what do you think the limits should be? ○ Do you think the secondary shipper should be liable for the service provider's loss of profits caused by the secondary shipper supplying off-specification gas? 	<p>Loss arising from delivered off-specification gas rejected by the service provider and delivered by the shipper is generally limited to direct loss, and direct loss is quite often capped.</p> <p>This is because both parties have an obligation to mitigate, and there are controls in monitoring, mitigating and curtailing off-specification gas which should limit the actual damage that could be caused by the gas delivered during this event.</p>
6.	<p>Do you agree with the proposed approach to the <u>service provider's</u> liability for off-specification gas? If not:</p> <ul style="list-style-type: none"> ○ Do you think the service provider should be liable to other shippers, or should other shippers be required to make a claim against the shipper responsible for delivering off-specification gas into the pipeline? 	<p>In general, other shippers have no relationship with the shipper who injected the off-specification gas. They rely on their contractual relationship with the service provider to manage this risk. The service provider then covers this risk by being able to claim for damages caused to affected shippers against the offending shipper.</p>
7.	<p>Do you agree with the proposed approach to the <u>secondary shipper's</u> liability for breach of contract? If not:</p> <ul style="list-style-type: none"> ○ Do you think the uncapped liability will act as a barrier to entry? ○ Do you think there should be monetary caps, or other forms of limits, on the secondary shipper's liability? If so what should the caps and limits be? 	<p>Uncapped liability is often something that is a 'deal breaker' because the quantum of risk cannot be quantified. Generally speaking, a liability cap is a mechanism to mitigate this risk. It would be very difficult for a non-incumbent third party to put measures in place to mitigate against uncapped liability (e.g. insurance policies). The alternative would be to approach the matter on a highly conservative basis and avoid the behaviour giving risk to the risk. This would not promote competition or trading activity. Liability caps should be based on a formula - a function of face value may be appropriate.</p>



	Questions	Feedback
8.	<p>Do you agree with the proposed approach to the <u>service provider's</u> liability for breach of contract?</p> <ul style="list-style-type: none"> ○ If so, what level do you think the monetary cap on liability (or other limits) should be set at and do you think the repair or replacement of property should be subject to a different cap? ○ How do you think the term 'consequential loss' should be defined? 	<p>Liability caps are generally a function (multiplier of the face value) of the transaction.</p>
9.	<p>Is it appropriate to have differing liability regimes for the service provider and secondary shipper?</p>	<p>The regimes are generally the same but the liability caps differ.</p>
10.	<p>Do you agree that if a shipper has a credit rating of BBB- and above it should not be required to provide credit support? If not, please explain why.</p>	<p>Yes, it is regarded as investment grade.</p>
11.	<p>Do you think the amount of credit support should be a function of the value of the MDQ as outlined in section 3.3.3?</p> <ul style="list-style-type: none"> ○ If not, please explain why and set out what other option you think should be used to determine the level of credit support. ○ If so, do you think the level of credit support should be based on 100% of the value of the MDQ or a lower percentage given that the secondary shipper won't actually be paying the service provider for the capacity? If you think a lower percentage should be applied, please state what percentage should be applied and why you think it is appropriate. 	<p>Yes, this is an objective measure that is transparent.</p> <p>Credit support will generally cover variable pipeline utilisation charges (overrun, imbalance etc). It is not generally intended to cover liability caps. A charge of 20-40% of the MDQ face value could be considered as appropriate.</p>
12.	<p>Is the proposed approach to curtailment timeframes appropriate? Does the regime appropriately balance the interests of shippers and the need to preserve pipeline integrity</p>	<p>These regimes are in place now. If there is an operational requirement to curtail, shippers must be bound to respond promptly to protect the integrity of the pipeline. Assessing the reason behind the event and any contractual remedies can be undertaken subsequently.</p>



	Questions	Feedback
	and ensure that shippers have sufficient time to react to a curtailment?	
13.	Are the standard terms a suitable foundation for the provision of a stand-alone compression service or will such a service require a more tailored set of terms? What specific provisions do stakeholders consider are required for a workable stand-alone compression service?	Generally, a compression service is tied to a primary right under a GTA. It is tied to an underlying service. A compression service itself is a relatively straightforward service that does not require non-standard terms.
14.	Do you agree with the way in which imbalance trading and in-pipe trade services have been dealt with in the operational GTA? Or do you think: <ul style="list-style-type: none"> the service provider should have the option of offering either (1) imbalance trading or (2) in-pipe trading? the standard terms should make in-pipe trading the standard position rather than imbalance trades? If you think in-pipe trading should be reflected in the standard terms, what changes would need to be made to the standard terms.	The service provider should offer what is their standard position as a base. For example, on the SEAGas pipeline, imbalance trades are the base position (not in pipe trades). Our preference is that imbalance trades are the default position if the primary GTAs are built on these services. This is consistent with the principle that all shippers are treated on the same basis. Where this is not the case, in-pipe trades should then be the default position.
15.	Do you think the maintenance provisions are appropriate, or do you think the maintenance information that service providers are required to publish on the BB as part of the medium-term capacity outlook is sufficient?	Transporters have a contractual obligation to inform shippers of upcoming maintenance in real time and post event of any residual implications of the work. Transporters should also be obliged to advise the whole market generally of any change in conditions that affect the integrity of their pipeline.
3.4	Application of the standardised operational GTA	
16.	What if any exceptions or qualifications should apply to the obligation for service providers that provide third party access to offer the standardised operational GTA?	For a shipper with a primary GTA, being forced to offer a third party access under standard terms and in lieu of those under their primary contract will result in basis risk. It is our understanding that the selling shipper should have the choice of whether to offer the service to a third party under the terms, standard or not, that cover their basis risk.
17.	Do you think the secondary shipper and service provider should be able to negotiate terms for operational transfers that	The standardised terms should be the default to begin with to facilitate trading activity. However, if a shipper has a primary GTA, they should be able to transfer the trade in to the primary terms of their GTA with the service provider. Generally speaking, these



	Questions	Feedback
	are different to those in the standardised operational GTA, or do you think the terms should be compulsory for all operational transfers?	should be the only two categories of terms. The only exception would be if terms such as uncapped losses were a default term and a party had to trade out of that term in order to manage their delegation of authority or ability to enter the trade.
18.	Do you think the secondary shipper should have the option to request the inclusion of any secondary capacity in its primary GTA, or do you have concerns with this option (e.g. do you think it will affect the nature of the product being sold)? If you think the option is reasonable, do you think it should be left to the service provider to decide whether to approve such a request?	Yes. No – if the service provider has accepted the terms, then the trade should move to the GTA as the primary shipper requests. The only exception should be if additional credit support is required to transfer the trade to the primary GTA.
3.5 Governance of Operational GTA Code		
19.	Do you agree with GMRG's preliminary view on the governance model? If not, what model do you think should be used and why?	Yes
20.	What principles do you think should be included in the NGR to guide any future amendments to the Operational GTA Code?	As in section 2.3 of the consultation paper.
21.	Do you think the AEMC should have a formal role in the change process, for example, to provide advice to the panel and/or the AER on the effect the proposed change may have on the broader market or gas market development more generally?	An industry based representative panel is appropriate to review recommendations to changes to the operational GTA and the like. These matters are quite technical and complex. Reliance on industry based experts to provide this advice is preferable.
22.	Do you agree with the way in which changes to the Operational GTA Code and the facility specific terms would take effect? If not, please explain why.	Yes
3.5.2 Service provider obligations		
23.	Do you agree that the obligation of service providers to publish and offer to enter into the standardised operational GTA should be classified as civil penalty provisions?	Yes.



	Questions	Feedback
24.	Do you think exemptions from the obligation to publish and offer to enter into the standardised operational GTA should be available if the asset in question is not providing third party access? If not, please explain why. Are there any other exemptions that you think should be available to service providers?	Yes. If it is a self-servicing user, there is no benefit in adhering to the obligation offer the market.
25.	Do you think the AER should be able to monitor the compliance of a service provider's facility specific terms with the requirements in the Operational GTA Code and the principles in the NGR (for example, the imbalance provisions or the charges)? If not, please explain why.	No, this is unnecessary. Service providers are obliged to adhere to their contractual obligations to shippers. There are contractual levers that shippers can rely on as well as access to regulators if service providers act outside their contractual bounds. Adding this level of oversight would add more compliance costs that would ultimately be borne by the shippers.
3.5.3 Principles governing facility specific principles		
26.	<p>Do you agree with the proposed principles for the facility specific terms, or do you think some modifications to these principles are required?</p> <ul style="list-style-type: none"> ○ Do you think AAs are an appropriate reference point for determining whether facility specific terms are reasonable, or do you think previous AA decisions may have resulted in terms that are not reasonable? In answering this question please provide examples of terms that have been approved by a regulator that you do not consider reasonable. ○ To what extent do you think the terms in primary GTAs are an appropriate reference point for determining whether the facility specific terms are reasonable? ○ To what extent do you think the terms in existing secondary shipper gas transportation agreements (whether in an operational GTA or incorporated in a primary GTA) are an appropriate reference point for determining whether the facility specific terms are reasonable? 	<p>Generally, they are appropriate. However, there is risk that unintended consequences can arising from AA decisions. An example is the expenditure that was approved as part of the AA for the Victorian Transmission System for repair and upgrade of the Brooklyn compressor station. These funds were re-allocated to the upgrade of Culcairn significantly hampering the ability to move gas to the Iona gas storage facility via the South West Pipeline.</p> <p>Facility specific terms ideally should be the same for all shippers using the pipeline, whether under primary or secondary GTA, as they describe the operational limitations of the facility. Where legacy agreements exist and their terms are different, future agreements should be governed by the same base facility terms.</p>



	Questions	Feedback
3.5.4	Capacity transfer procedures	
27.	Do you think AEMO should have the power to make capacity transfer procedures? If not, please explain why.	Whether under NGL or under contractual obligation, service providers and shipper must ensure that transfers are in line with operational and contractual limitations of the pipeline facility and adhere with exchange timing requirements. From the shipper's perspective, whether the obligation is under NGL or contractual, they must understand their obligation to comply and adhere to these requirements in order to support the efficient operation of the exchange platform.
28.	Is any guidance required in the NGR on the matters AEMO should consider when developing these procedures?	No.
3.6	Cost recovery	
29.	<p>Do you agree that service providers should be able to recover the incremental establishment and capacity trading costs from shippers?</p> <ul style="list-style-type: none"> ○ If not, please explain why. ○ If so, do you think: <ul style="list-style-type: none"> – the costs should be recovered from secondary shippers and primary shippers that sell their capacity, or do you think they should only be recovered from: <ul style="list-style-type: none"> (i) secondary shippers? (ii) primary shippers? (iii) secondary shippers and all primary shippers? – the costs should be recovered using a combination of a monthly administrative fee and a per trade (or per GJ) fee, or another mechanism? 	<p>Yes.</p> <p>We consider a model similar to that of the DWGM is appropriate ie an administrative fee for being participating in the exchange and a \$/trade type fee. The administrative costs should cover the cost of setting up the participant, their access to reports etc. The \$/trade fee would be a fee for the use of the service.</p>
30.	Do you think the costs that service providers seek to recover from shippers should be subject to the same pricing principle that applies under Part 23 of the NGR, or do you think a more stringent pricing principle should be applied (e.g. the prudent service provider acting efficiently test in Part 9 of the NGR)?	No comment.



	Questions	Feedback
31.	<p>Do you think the AER should be able to review the costs that service providers seek to recover?</p> <ul style="list-style-type: none"> ○ If not, please explain why. ○ If so, do you think the proposal that the AER could initiate its own review if it was concerned about the level of charges (or if another interested party raised concerns) would work, or do you think another approach would be more effective? 	<p>It is expected that service providers will seek to recover the cost of implementation and administration of the capacity platform. These cost pass through should be transparent and follow a fair and reasonable methodology. AGL prefers to resolve any disputes commercially.</p>
Standardised Operational GTA		
	<p>Do you have any other feedback on the contract terms?</p>	<p>In AGL's view, the wider the zone, the more useful the product will be so there need to be consideration of the appropriate dimension of the zones.</p>
4.2.1 Receipt and delivery point zones		
32.	<p>What, if any, refinements do you think could be made to the indicative zones set out in Table 4.1 to maximise the pool of prospective buyers and sellers, while also:</p> <ul style="list-style-type: none"> ○ ensuring that capacity can be transferred between points within the zone on a one-for-one basis if there is physical capacity at the relevant point; and ○ minimising the risk that secondary shippers will not be able to access capacity at a receipt or delivery point within the zone? 	<p>Generally, some service providers allow the movement of firm MDQ between receipts and/or delivery points once a year via a formal process. This process will need to be removed and replaced with the ability to seek zonal MDQ changes which are then coupled with the ability to assign the zonal MDQ to particular receipt and/or delivery points. The service providers will still need to conduct their process to determine whether zonal MDQ can be assigned to a particular connection point. However, limiting this to once a year will not result in an efficient trading platform. Service providers will most likely need to develop a diversity factor for each zonal transfer zone so the market has a view as to the nature of the relationship of haulage bought across and within zones. Ideally, these factors should be published as part of the terms of the operational GTA, where possible, which will allow the service providers to update these as required.</p>
33.	<p>Do you think that:</p> <ul style="list-style-type: none"> ○ pipelines that are connected to another pipeline should be required to define a transit point delivery zone to minimise the risk that gas cannot be transported between the two pipelines? 	<p>The issues related to connected pipelines will be better managed with a common allocation agreement rather than transit point delivery zones. Clear and common allocation agreements that define the priority of service are a cost effective and efficient solution to resolving this matter. Examples of where this works well are at Culcairn. Examples of where improvement is needed are the allocation agreement</p>



	Questions	Feedback
	<ul style="list-style-type: none"> o pipelines connected to an STTM should be required to define an STTM delivery to minimise the risk that gas cannot be supplied into the STTM? <p>Are there any other special cases that you think would require more careful consideration to be given to the bounds of the zones?</p>	<p>procedures at Moomba which govern flow into and out of the Moomba to Adelaide Pipeline, to and from South West Queensland and/or Moomba to Sydney.</p> <p>Pipelines connected to the STTM do not require a specific STTM delivery as a Trading Right (TR) is required to be established or confirmed prior to the utilisation of the haulage service. There is no need to change this mechanism to facilitate trading at this stage as this currently works well.</p>
34.	Do you agree with the principles that have been suggested by the Standardisation project team should guide the development of zones, or are there other principles you think should be considered?	Yes. AGL agrees with the principles which support the zonal model.
35.	Do you think these principles should be included in the NGR?	No. Amending the NGR to include these principles is unnecessary.
4.2.2 Secondary firm rights		
36.	Do you agree with the project team's observations about the level of risk associated with secondary firm rights at receipt and delivery points? If not, please explain why.	Yes, these risks are similar to those in underlying primary GTAs. The objective of the capacity trading platform is to encourage trading by treating all participant on equal terms.
37.	Apart from defining the zones more narrowly or utilising the point-to-point model, do you think there are any other ways that the risk associated with the zonal model could be reduced?	Not at this stage. We are of the view the platform should be implemented with a review in 18-24 months where refinements can be considered. Enhancements may come from experience associated with utilisation of the platform.
38.	If you are a potential user of the capacity trading platform would the risk discourage you from using the exchange, or do you think the risks are manageable?	It depends on the risks. Generally, if all users are exposed to the same risks, we are on an equal playing field and this is important for competition. Some risks may not be able to be quantified such as exposure to uncapped consequential losses. Company's internal processes such as risk policy, trading mandates and legal policy will dictate whether the user is able to take this risk on to access haulage via the trading platform.
39.	How do you think renomination rights should be treated <i>vis-à-vis</i> secondary firm rights under the zonal model?	If primary GTA rights can be transferred proportionally as part of a secondary firm right trade, then they should. Alternatively, the ability to re-nominate as a secondary firm shipper should be the same for all secondary firm shippers in line with the service provider's technical and procedural capability.



	Questions	Feedback
4.2.3	Governance for the zonal model	
40.	Do you agree with the proposed governance arrangements for the zonal model? If not, please explain why.	Yes, but pre-existing trades cannot be adversely impacted by the implementation of the capacity trading platform. Zonal changes should apply only to future trades. If a party is adversely affected by the platform, then there should be a means to raise and redress this.
41.	Do you think the rules should specify the principles a pipeline operator, Industry Panel and/or AER would be required to consider before making a change to the zonal definition?	There should be some governance principles that would apply to any changes being proposed to the Operational GTA, pipeline-specific terms and the like. They should apply not only to changes to the zonal definition.
4.3	Receipt and delivery point change process	
42.	Do you agree with the proposal to amend the NGR to provide shippers and service providers with greater guidance on the rights shippers have to seek a change; the circumstances in which a service provider can withhold its consent, the time service providers should have to respond and the level of any charges that can be recovered from shippers? If not, please explain why.	<p>There need to be careful consideration before amending the NGR which could impact pre-existing agreements and contractual rights between service providers and shippers.</p> <p>There is a risk that services with conditions prescribed under law is likely to create vanilla trades and reduce creativity and flexibility in the market.</p>
43.	Do you agree that service providers should be able to withhold their consent if the change is not technically feasible or if the change would adversely affect other shippers' access to services?	<p>Yes. This is a reasonable outcome. If a shipper wants a non-feasible technical outcome to become technically available, service providers generally offer services to define the cost of developing the technical outcome via a feasibility study where the parties define the scope of works, timing and cost of implementation. The shipper may be required to underwrite any changes.</p> <p>This should be distinguished from the situation where contracting firm haulage will affect existing shippers access to services like As Available.</p>
44.	Do you agree with the proposed limitation of commercial considerations (i.e. consent can be withheld if the service provider receives less revenue under its contract with the shipper or incurs additional costs and the shipper is not prepared to pay for any shortfall)? If not, please explain why.	These concepts are consistent with underlying primary GTA contracts. They should apply to all users/ shippers of haulage services consistently so that all users are treated equally.
45.	Are there any other reasons why you think consent should be able to be withheld by a service provider?	A change in creditworthiness of the shipper that has a material adverse impact on the service provider.



	Questions	Feedback
46.	<p>Do you think the timeframe that has been proposed for service providers to respond to requests to transfer receipt or delivery points:</p> <ul style="list-style-type: none"> ○ within a zone is appropriate (i.e. within five business days)? If not, please explain why. ○ across a zone is appropriate (i.e. within five business days for an initial response and up to 20 business days for a final response)? If not, please explain why. 	<p>Service providers should advise the minimum time they require for this purpose and this may differ from pipeline to pipeline depending on their systems and processes. If the timeframe is consistent with or better than the procedure provided for under the primary GTA, this will be acceptable to ensure all shippers are treated equally on the same pipeline.</p>
47.	<p>Do you think provisions should be included in the NGR to override any contractual limitations on shippers seeking changes to receipt and delivery points?</p>	<p>No. We believe that contracts and markets are two separate constructs. The NGR is best placed to manage access to markets and not to govern the terms and conditions of bilateral contracts between two parties who may not wish to trade in a secondary capacity platform.</p>
48.	<p>Are there any other steps that you think could be taken to reduce the impediments to secondary trading currently posed by the receipt and delivery point change process?</p>	<p>This may vary between pipelines depending on their systems and processes and whether they are manual or not. It will be important for service providers to streamline, automate and improve the process. Tradability of receipt and delivery points is critical to the success of the platform. All users, whether primary or secondary, would appreciate a shorter and more transparent process that is applicable to all shippers on each pipeline.</p>
5.1 Allocation agreements		
49.	<p>How significant an impediment to trade do you think allocation agreements are?</p>	<p>Allocation agreements are a necessary administrative requirement as they ensure the total metered flow of gas as a receipt or delivery point is allocated to the relevant party under an agreed methodology that all shippers at the connection point sign on to. Allocation agreements form the basis of obligation for billing and payment as well as liability for gas transported to and from pipelines.</p> <p>Any shipper who has access to haulage must seek access to allocation at the relevant points at which they wish to trade. Allocation costs are administrative and like being a market participant in the DWGM, are part of the ordinary course of business of being part of a market or on a pipeline.</p> <p>If the ability to access the allocation is known, whether it be published on a common site such as the Bulletin Board or the service provider's website (where relevant),</p>



	Questions	Feedback
		<p>shippers have the opportunity to access the governance process which allows them to join and leave the allocation. The only impediment that allocation rules present to participants is that they need to be a party to them before they trade. Parties should be made aware of this obligation when they acquire a haulage service, enter in to a gas supply agreement or a market.</p>
50.	<p>Are there any other impediments to trade posed by allocation agreements and/or contribution agreements that have not been identified in this consultation paper? If so, please explain what they are and how you think they could be addressed.</p>	<p>No.</p>
51.	<p>Do you think that deeming secondary shippers to be a party to the allocation agreement is a workable solution, or can you foresee issues with this solution?</p>	<p>Yes. Parties need to be able to join an allocation on the basis that they have rights to ship at a point. Trading is in zonal capacity, not point to point capacity. Therefore, parties should not be deemed to join until they are clear that the capacity at the connection point they seek exists and they will be charged the administrative cost of being part of the allocation from the moment they do regardless of whether they use the connection point. It should be their choice whether they enter into it or not as this is a contractual obligation.</p>
52.	<p>Do you think that providing greater transparency about who to contact to become a party to an allocation arrangement will be sufficient to reduce the impediments to trade posed by allocation agreements, or do you think that other measures (including those outlined in Table 5.1 are required to facilitate access to these agreements?</p>	<p>It should be noted that the operational GTAs should provide a link to where allocation agreements and relevant contacts are located rather than the agreements themselves as each pipeline has a plethora of allocations that apply to relevant connection points. This will allow a clear path for incoming shippers to find access the agreements and the governance of version control being in one spot rather that the operational GTA. The allocation agreements could be published either on the service providers' website or the Bulletin Board.</p> <p>A shipper must manage their imbalances. Appointing AEMO as a sub allocation agent at all points goes against the ability for each party to choose the allocation agent at each point. It is not preferable to govern an allocation methodology to override and govern all points, pre-existing or new. A default allocation on a pro-rata basis against approved/ confirmed nomination could apply to a new point where an allocation rule cannot be agreed by all parties seeking to use the point.</p> <p>AGL is opposed to deeming parties having joined an allocation for reasons described in question 51.</p>



	Questions	Feedback
53.	What effect are differences in allocation rules at points where pipelines interconnect having on shippers at these locations? Is the effect material and do you think a common allocation rule should be adopted across the east coast?	The application of a common allocation rule is not sufficient. The application of a rule and use of a particular meter over another so that the allocation is consistent across interconnected pipelines is a more important outcome. An area that would benefit from this is gas allocated at the Moomba compound that can move between three interconnected pipelines: Moomba to Adelaide, Moomba to Sydney and the South West Queensland pipeline.
54.	Do you think there is any value in standardising allocation agreements?	Allocation agreements should define a process for incoming and outgoing participants, the allocation methodology, cost of administration and a dispute resolution process amongst other things. However, standardising rules, procedures and costs across all connection points in the market is unnecessary.
55.	Have you experienced any difficulties accessing receipt or delivery points that are controlled by a shipper? How prevalent an issue do you think this is and how do you think it could be addressed?	The ACCC has conducted a number of specific inquiries specifically looking at this issue and AGL has already provided feedback to this process.
56.	Can contribution agreements, or the charges levied under these agreements, act as a barrier to trade?	If they apply to all shippers in a fair and transparent manner, they are part of the ordinary course of doing business and should be factored in as the cost of trading activities.
5.2 Imbalance clearing		
57.	Do you think the capacity trading platform should facilitate the trade of imbalances? <ul style="list-style-type: none"> ○ If so, do you think this should be done through the listing service or exchange? ○ If not, please explain why. 	Most pipelines provide the ability to trade imbalance as part of the underlying haulage service. Parties can also use in-pipe trade services to manage the same outcome. Parties trading imbalance are trading gas and not a haulage service and generally can do this bilaterally outside of a market construct under their own terms and conditions and this may also include delivered gas services to clear imbalance. These are ad hoc transactions which are currently done with little administrative cost and can be ignored.
58.	Are there other options you think could be made available to shippers to facilitate the clearing of an imbalance (e.g. extending in-pipe trading services to other pipelines)?	It is a shipper's obligation to clear any imbalance. Moving it from one pipeline to another is one mechanism available to the shipper if they have a haulage service on another pipeline. There is no need to extend current services to facilitate this.
59.	Are there any other impediments to a shipper clearing an imbalance (for example, are there provisions in GTAs that prohibit shippers from trading imbalances)?	No.



	Questions	Feedback
5.3	Harmonisation of gas day start times and nomination times	
60.	<p>Do you think there is value in bringing forward the harmonisation of gas day start times in the facilitated markets?</p> <ul style="list-style-type: none"> ○ If not, why not? ○ If so, do you think it should be brought forward to 1 October 2019, or another time? 	AGL is supportive of bringing this forward as early as possible.
61.	<p>Should all facilities (i.e. production facilities, pipelines, compressors and storage facilities) in the east coast to be subject to a common gas day start time?</p> <ul style="list-style-type: none"> ○ If not, why not? ○ If so, do you think that this should be given effect through a provision in the NGL and NGR, or is it a matter for the facilities to negotiate with users? 	Yes. Streamlining gas sales, transportation, storage and agreement alike is fundamental to minimising administrative burdens and increasing efficiency of allocation and scheduling of gas and haulage services across the east coast gas market.
62.	<p>Do you think there is merit in harmonising nomination cut-off times across pipelines and other facilities that will be subject to the capacity trading reforms (e.g. compressors)?</p> <ul style="list-style-type: none"> ○ If not, why not? ○ If so: <ul style="list-style-type: none"> – Do you think it should be harmonised to 3 pm (AEST) or another time? – Do you think that it should be given effect through a provision in the NGL and NGR, or is it a matter for the facilities to negotiate with users? 	<p>Yes. However, we need to consider the impact of nomination harmonisation across market cut off times in both gas and electricity markets to ensure the most efficient outcome.</p> <p>This may require some additional work and consideration before a final recommendation but fundamentally, AGL is supportive of a review of nomination and scheduling times on pipelines/ storage facilities/ gas producers and markets to facilitate this outcome.</p>
63.	<p>Are there any other costs or benefits associated with the harmonisation of gas day start times and nomination cut-off times that you think the GMRG should take into account?</p>	<p>Consistency with and impact on gas fired power station demand is an important consideration. NEM timelines for pre-dispatch is relevant as gas fired generation has a significant impact on the overall gas demand for a day/ period so getting it as accurate as possible for the start of the gas day by harmonising (or not) timeframes is important.</p>



	Questions	Feedback
64.	Do you agree that provisions should be included in the standardised operational GTA to require service providers operating at the interface of markets to accommodate the differences in gas days? If so, how do you suggest that this obligation be drafted?	Yes. It should be done so under NGR to ensure compliance.
5.4 Contractual limitations		
65.	Are there any other provisions in primary GTAs that may limit a shipper's ability to trade capacity? If so, please provide an overview of the provisions and the effect they have on a primary shipper's ability to trade.	Shippers have the ability to bare transfer and bilateral trade capacity services. Under future arrangements, any under-utilised capacity will be placed up for auction daily. Third parties will have access to haulage services via the operational GTA if they choose to do so.
66.	How prevalent do you think these types of contractual limitations are?	Unknown
67.	Do you think the contractual limitations on capacity trading need to be addressed? <ul style="list-style-type: none"> ○ If so, should they be addressed through amendments to the NGR, or should the primary GTAs be re-opened? ○ If not, please explain why. 	<p>It is unnecessary to re-open primary GTAs. This will create significant sovereign risk to both service provider and shipper. Industry representatives have agreed to develop a framework for capacity trading to facilitate third party access and the efficient use of pipeline services. AGL is supportive of a governance framework to consider additional changes on an as needs basis to refine the framework over time. Re-opening primary GTA will create uncertainty for shippers, both primary and secondary. If parties are unclear on the terms of which they have contracted, they will be less able to commit to the service offerings or make investment decisions that require long-term commitments to bring new and incremental services to market.</p> <p>Parties will have the choice of entering into a primary or operational GTA and to use either or both depending on their circumstances. The shipper who is taking the risk on the service should have the choice. Amendments to the NGR may have unintended consequences.</p>
Other		



	Questions	Feedback
	Do you have any other feedback?	No.



PART B – Capacity Trading Platform

	Questions	Feedback
7.1	Initial set of exchange traded products	
68.	Do you agree with the project team's view that the initial set of products should be limited to firm forward haul, firm park and firm compression services on the transportation assets connecting major supply and demand centres in the east coast? If not, what products do you think should be excluded from or added to the list?	The products should be limited to physical compression supported products – 'backhaul' products or any product that relies on the behaviour/nomination of another shipper (outside of the service providers control) should not be listed.
69.	Do you think there would be value in the GMRG developing the following services ahead of market start, or do you think they could be developed after market start: <ul style="list-style-type: none"> ○ backhaul services on pipelines that are not bi-directional? ○ locational swaps? ○ an imbalance exchange traded product that parties could use to clear imbalances (see section 5.2)? ○ other (non-pipeline) storage products, such as those offered by Lochard's underground storage facility, APA's Dandenong LNG storage facility? 	These other products and services should be developed after the market start.
70.	If you think locational swaps should be developed for market start: <ul style="list-style-type: none"> ○ Do you think they are a substitute for capacity products, or a separate product? ○ Do you think swaps could be used in place of backhaul services at market start? ○ What locational combinations do you think should be available? 	As above. Locational swaps are useful and they improve on the efficiency of haulage, but they are also inflexible (specific points are locked into). The trading platform would enable a participant to buy gas from one region and connect with a number of haulage arrangements - this is more flexible and valuable.
7.2	Standardised products	
71.	Do you agree with the proposed contract tenors for the standardised products (i.e. day-ahead, daily, weekly and monthly) at market start, or do you think other tenors should be included (e.g. a quarterly product) or excluded at market start?	These tenors are appropriate – the eventual development to quarterly and annual is warranted given Gas Supply Agreements are often longer than one month. Contracts should allow for tenors to be easily varied.



	Questions	Feedback
72.	Do you agree with the proposed contract sizes for the standardised products (500 GJ), or do you think a higher (e.g. 1 TJ) or lower (e.g. 100 GJ) contract size should be adopted?	AGL has no particular preference.
73.	Firm forward haul products: Do you agree with the proposed contract paths for the standardised firm forward haul products, or do you think other contract paths should be considered for market start	AGL proposes one new addition, receipt 'EGP Wilton' & Delivery 'Moomba' on the MSP, and one revision to add 'EGP Wilton' as a delivery point on the EGP.
74.	Compression products: Do you agree with the proposed facilities on which this service would be available at market start?	No. There is little value in bringing this product to a market at this stage. To date, no compression products have traded on the GSH even though they are available.
75.	Park products: Do you agree with the proposed pipelines on which this service would be available?	Yes, park products may be attractive trading products. SEA Gas should be included on the list of pipelines with Park services.
7.3 Treatment of variable transportation charges		
76.	Which option do you think should be used to deal with those cases where a primary shipper is liable to pay a variable transportation charge under its primary GTA: <ul style="list-style-type: none"> ○ variable charge paid by secondary shipper to service provider? ○ variable charge paid by primary shipper to service provider, based on actual volumes transported by the secondary shipper? ○ primary shipper's variable charge converted to a fixed charge for that portion of capacity sold for the duration of the trade. 	Variable charges (which AGL understand to be IPT, overrun, imbalance, and redirection fees plus any other service not related to firm haulage) should be paid by the secondary shipper to the service provider. AGL believes these services for which variable fees would be due, should be set out in the Operational GTA – but the actual fee should be outlined in a public schedule.
8.1.1 Partial or full anonymity		
77.	Do you agree that the fully anonymous option should be implemented? If not, please explain why.	Yes
8.1.2 Information to be provided to service providers		
78.	Do you agree that Option 2 should be implemented? If not, please explain why.	Option 2 is appropriate for a new market. If the platform is successful and active, AGL could see the eventual need to move to Option 1.



	Questions	Feedback
79.	Do you think AEMO should net out shippers' positions prior to transaction information being provided to service providers to transfer capacity? If not, please explain why.	Yes. Given the fully anonymous nature, there is no need for the pipeline operator to know all the trades that parties have undertaken
8.1.3 Other information that could be collected and provided		
80.	Do you think there is value in having AEMO: <ul style="list-style-type: none"> ○ collect information from the seller on the GTA and receipt and delivery points that it wants to deduct the capacity from and to provide this to service providers? ○ collect information from buyers on the GTA they want to add the capacity to and the receipt and delivery points they intend to use? Or do you think this information should be provided directly by the counterparties to the service provider?	Yes. Participants should be able to view the 'net position' through the day, and nominate this position across the delivery points they want to use it. This information could then be sent to the pipeline operator as part of the single transfer
81.	If you think the information should be provided by counterparties, at what point do you think they should be required to do so (e.g. as soon as practicable after the trade occurs or through the nomination process)?	The timing should align with the upload of data to the service provider.
8.1.4 Data interchange		
82.	Do you think the BB CSV interface or STTM SIP data link should be used? Or do you think another option could be used?	AGL suggests that both could be used. Those shippers who supply the STTM will already have connections to enable TRN trades and the remainder have Gas BB CSV interface (or they will need to, based on the recent AEMC rule determination)
8.2 Transfer of capacity		
83.	Do you agree with the proposal for service providers to provide AEMO with confirmation that the transfer has occurred?	Yes.
84.	Do you think the buyer should also be provided a confirmation, or should they only be notified if there is a problem with the transfer?	The buyer should be notified if there is a problem with the transfer and, if the time required to confirm extends beyond one hour, the buyer should be able to unilaterally exit an unconfirmed trade with notice to AEMO.



	Questions	Feedback
85.	Do you have a view on the processes that should be put in place to deal with failure to transfer capacity for technical reasons?	The service provider should be granted additional time (such as 4/8/12 hours) to complete the transfer, but trading should be suspended until the issue has concluded.
8.3.1 STTM participation and integration		
86.	Do you have any concerns about the proposal that shippers wanting to participate in the ex-ante STTM schedule would need to purchase the capacity on D-2? If so, please explain how you think this could be addressed.	AGL understands that this is due to the TRN process and the need to hold a valid TRN to participate in the STTM. AGL believes that the TRN process is relatively complicated and should be reviewed to negate/reduce this D-2 limitation.
87.	Do you think there is value in trying to integrate the capacity trading platform and the STTM? If so, do you think the manual and partially anonymous, the automatic and fully anonymous or the hybrid option should be implemented? Or are there other options you think should be considered?	<p>It is important to consider how integration could take place, as the flow of capacity trades directly into trading rights to use in the STTM would have value to participants.</p> <p>AGL considers that establishing the market first and then introducing STTM as a future update would be the best approach. The STTM/CTP integration will be complicated (for example, which TRN do you reduce if there's more than one, what service priority does a trade get and what if a participant's firm TRN in the STTM is not listed as priority '1').</p>
8.3.2 DWGM integration		
88.	How do market participants currently manage MHQ constraints in the DWGM and how significant an issue do you think it is?	The practicalities of integrating the DWGM with the CTP need further development. MHQ, accreditation, MIRN's are important features of the DWGM and all will need to be considered if the CTP is to interact with the DWGM.
89.	Do you think any of the options that have been identified to deal with accreditation constraints should be implemented? If so, please state which option you think should be implemented and why.	Standard constraints may work if they are published publicly and are set in a manner that does not cause more traditionally accredited shippers to be disadvantaged (i.e. the accreditation should not be more generous)
90.	To minimise implementation costs for industry, could standing or blank accreditation constraints be used?	Blank accreditation is concerning if it is treated as 'unconstrained' in scheduling. Any unconstrained bid/offer would be superior to a more accurate bid/offer that is subject to the constraints of accreditation.
8.4 Timing of activities on D-1		



	Questions	Feedback
91.	Do you agree with the proposed timing offsets for D-1 activities? If not, how long do you think should be allowed for each activity?	The timings outlined by the GMRG (11am cut off, 3pm publishing) seem appropriate. AGL also supports any shortening of the 3pm publishing after the 11am cut-off. With this timing, many of the Day Ahead products are unlikely to trade extensively as there are few options to source gas after 3pm for the next day (Wallumbilla and the DWGM being two exceptions).
92.	Do you think a uniform close of trading time should be adopted or different close of trading times?	A uniform trading window should be adopted – the gas industry is already seeking to undo some of the staggering that exists in the industry.
93.	If a uniform close of trading time is to be adopted, do you think 11am is appropriate or do you think another time would be more appropriate (e.g. post the NEM pre-dispatch, which currently occurs shortly after 12.30pm)? If you think a later time would be more appropriate, how do you foresee all the activities being carried out prior to nomination cut-off time?	A later time is preferred, but 11am is also appropriate.
9.1 Settlement process		
94.	Do you agree with AEMO's proposal to combine the settlement amounts for capacity products and gas products? If not, please explain why.	Yes, AGL supports any move to combine or simplify settlement amounts.
95.	Do you think any changes need to be made to the settlement process to accommodate capacity products?	Yes, daily settlement with monthly invoicing which aligns with the GSH.
9.2.2 Prudential exposure		
96.	Do you agree with AEMO's proposal to aggregate the prudential requirements across gas and capacity products on the GSH? If not, please explain why.	Yes, AGL supports any move to combine or simplify prudential amounts for a participant across all gas markets (DWGM, STTM, and GSH) to cover their exposure.
97.	Do you think the same collateral requirements that currently apply to gas products should also apply to capacity products on the GSH? Or do you think a lower level of collateral is required in the forward period? If so, what level do you think this should be set at or do you think further quantitative work should be carried out to determine the level of collateral?	With the proposed trading periods (as long as one month) the collateral requirements seem appropriate (i.e. enough to cover the potential compensation under a default). However, annual products are available, the 25% upfront collateral may become prohibitive.



	Questions	Feedback
98.	If the collateral requirement was to be reduced in the future period, would you be comfortable receiving a lower level of compensation if a default event occurs? Or alternatively, do you think the compensation level could be maintained at 25% but the collateral reduced?	The collateral should be set at a level that is sufficient to repay the buyer under the default provisions (i.e. if default is 25% of trade, collateral should be 25%).
10.1 Delivery default, pre-trade verification and short selling		
99.	Are there any other circumstances in which you think delivery default could occur?	As proposed, there may be no validation that the seller holds the haulage – however this risk also exists in the GSH and it has not been an impediment to trading.
100.	Do you think there is value in developing a registry that could be used by AEMO to verify whether sellers have capacity to sell before they enter into a trade, or do you think the costs of doing so are likely to outweigh the benefits?	<p>AGL are concerned that ‘short selling’ could occur and in the event of market stress or low liquidity a participant who has bought the ‘short sale’ could then themselves become stressed (particularly if they have arranged for gas and have to forfeit this gas, or have to incur expensive variable pipeline charges).</p> <p>Some mechanism should exist to maintain the integrity of the platform and see two approaches to this. Firstly, to establish a framework to protect the buyers by having a process to ‘keep them whole’ which could be less onerous on all participant or secondly, where this register would be appropriate is to check that all sales are valid first.</p>
101.	Do you think the market conduct rules will deter Trading Participants from engaging in short-selling?	AGL does not have a strong view on whether the rules deter certain behaviours. AGL does have concerns around short selling of capacity, especially given a buyer is unable to measure or identify the potential risk (due to anonymity of trading). It is important to consider how the risk of short selling can be managed without over-regulating participants.
10.2 Default under primary GTA		
102.	<p>Do you think arrangements should be put in place (other than cancellation) to mitigate the risk of termination of the primary GTA, such as options 2 and 3? If you think other options should be used:</p> <ul style="list-style-type: none"> ○ Why do you think capacity should be treated differently to gas products? ○ Why do you think it is appropriate for service providers to be subject to the obligations that would come with these options? 	Option 1 is reasonable, however, AGL believes that the impacted party should also be able to purchase the capacity from the GTA that has been defaulted upon (as exists under default – but purchased as an asset which is unmodified apart from the Haulage MDQ required and is free from any of the obligations of the original defaulted party).



	Questions	Feedback
	<ul style="list-style-type: none"> Do you support options 2 and/or 3(a) or (b)? What other options are available? 	
103.	If you think option 2 should be used, how long do you think service providers should be required to honour the trade (e.g. 1-2 days, one month, or for the duration of the trade)?	AGL does not agree that the service provider should be required to honour a trade that the service provider was not privy to.
104.	<p>If you think buyers should have an option to acquire the capacity from the service provider, do you think:</p> <ul style="list-style-type: none"> the buyer should have a first right of refusal, an enforceable option or a general right to initiate good faith negotiations? the price at which the secondary shipper can access the capacity should be specified in the operational GTA or be regulated in some way? 	As above in 102.
105.	Do you agree that if the trade has to be cancelled, then the effect of the cancellation should be borne by all secondary shippers on a pro-rata basis?	No. As in 102 - Each impacted party should be able to purchase the capacity they require for the dates they have traded under the rates listed in the original (and now defaulted) GTA.
10.2 Default under operational GTA		
106.	<p>Do you agree that if default under the operational GTA occurs:</p> <ul style="list-style-type: none"> after the trade is effected, the trade should be allowed to proceed? before the trade is effected, the trade should be cancelled? 	No. As in 102 - Each impacted party should be able to purchase the capacity they require for the dates they have traded under the rates listed in the original (and now defaulted) GTA.
10.2.2 Default on GSH financial obligations		
107.	Do you think the arrangements that currently apply to seller defaults under the GSH should be applied to capacity products, or do you think that any transfers of capacity that have already occurred at the time of default should be excluded from the close out and offset calculation?	AGL understand this to mean that trades conducted prior to default should be honoured (i.e. in the event that the party is banned from the GSH post trade, but the GTA still remains on foot). AGL agree with this.
10.2.3 Short selling		

No.



	Questions	Feedback
108.	If a short sale occurs, do you think the trade should automatically be cancelled, or do you think the seller should have a period of time to rectify the short sale before it is cancelled?	The trade should be cancelled.
109.	If seller is unable to rectify the short-sale (e.g. because there is no spare capacity on the pipeline), should the capacity of all affected secondary shippers be curtailed on a pro-rata basis?	No.
11 Bilateral trading obligations		
110.	<p>Do you think that shippers offering to sell capacity on a bilateral basis should be required to offer a prospective buyer the option of using an operational transfer to give effect to the trade?</p> <ul style="list-style-type: none"> ○ If not, please explain why. ○ If so, do you think the proposal to include a provision in the NGR to require shippers to offer this option will work effectively? 	Yes, AGL support operational transfers. In fact, AGL would strongly encourage that the sale under a bare transfer can only be made by mutual agreement and cannot be made unilaterally by either the buyer or seller.
111.	<p>Do you think it should be mandatory for shippers to advertise any secondary capacity trades conducted outside the exchange ahead of time on the listing service?</p> <ul style="list-style-type: none"> ○ If not, please explain why and also outline whether you think the AEMC's concerns about discriminatory access could be dealt with in another way. ○ If so, how do you think the practical issues raised by the project team could be overcome? 	<p>No. Trades for haulage outside the market may not be pure haulage capacity, or may cover obscure dates (like only weekends). This may make mandatory listing difficult and confusing. For example, you could argue that a contract to deliver gas into STTM inherently includes some haulage – but for Sydney this could be gas hauled in from one of four facilities that supply Sydney. It would be difficult for a seller to comply with this requirement to offer the haulage first.</p> <p>AGL proposes that the CTP places an offer in an open market to maximise the likelihood of finding the participant who places the highest value on the haulage. Therefore, participants are incentivised to use the platform instead of entering bilateral agreements (unless the bilateral deal is required due to the unusual features of a deal).</p>
12 Governance and transitional arrangements		
112.	Are there any other changes that you think will be required to the governance arrangements that have not been identified in Table 12.1?	Given the risk of short selling, AGL believe that beyond the Exchange Agreement (EA), there may be merit in AEMO creating 'GSH and CTP Default Procedures' that can be followed.



	Questions	Feedback
113.	How long do service providers think it will take to set up any systems that may be required and to test these systems with AEMO?	AGL consider the combinatorial and zonal features as key requirements of the platform. It is important to ensure sufficient time was allotted to ensure that these features are constructed. AGL does not believe that system without these features will be successful.
Other		
	Do you have any other feedback?	