

Information Paper:

Consultation on Capacity Trading Reforms: Day-Ahead Auction and Reporting Framework

The GMRG has now released a Consultation Paper on the Day-Ahead Auction and Secondary Trading Reporting Framework and invites stakeholder feedback

The Gas Market Reform Group (GMRG) was established by the COAG Energy Council (the Energy Council) to lead the design, development and implementation of a range of reforms set out in the *Gas Market Reform Package*, including a number of capacity (pipeline and hub service) trading reforms.

These reforms were recommended by the Australian Energy Market Commission (AEMC) in its *Eastern Australian Wholesale Gas Market and Pipelines Framework Review (East Coast Review)* and include the development of:

- a capacity trading platform that shippers can use to trade secondary capacity ahead of the nomination cut-off time and provides for exchange based trading of commonly traded products and a listing service for other more bespoke products;
- a day-ahead auction of contracted but un-nominated capacity, which would be conducted shortly after nomination cut-off and subject to a reserve price of zero;
- standards for key contract terms in primary, secondary and operational transportation agreements to make capacity products more fungible; and
- a reporting framework for secondary capacity trades that provides for the publication of the price and other related information on secondary trades.

Further detail on the key elements of these reforms can be found in Figure 1.

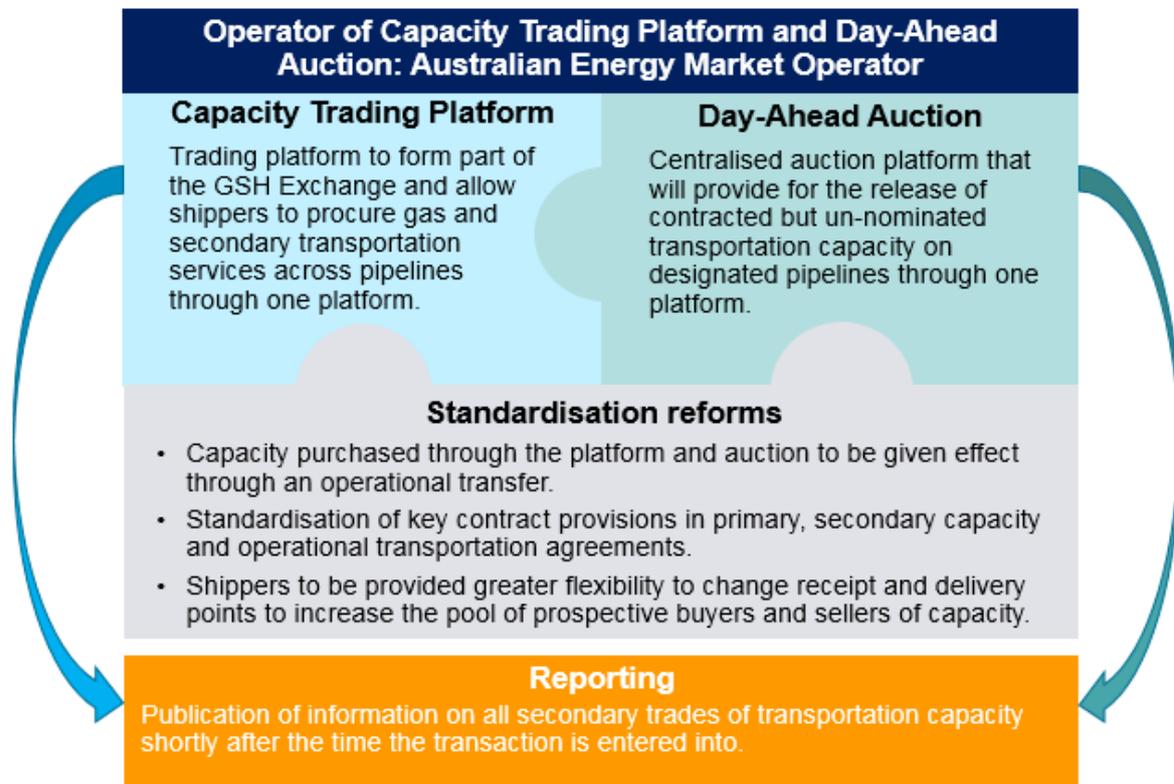
Work on the design of the capacity trading reforms commenced in early 2017 and was initially expected to be completed during 2018, but following a request from the Hon. Josh Frydenberg MP, Minister for the Environment and Energy, the GMRG agreed to make its recommendations by the end of 2017. In keeping with the accelerated timetable outlined above, the GMRG intends to make its final recommendations on the following matters to SCO and the Energy Council in December 2017:

- the day-ahead auction of contracted but un-nominated capacity; and
- the reporting framework for secondary capacity trades.

To help inform the GMRG's consideration of these issues, has prepared the **Day-Ahead Auction of Contracted but Un-Nominated Capacity and Reporting Framework Consultation Paper**. A separate consultation paper on the capacity trading platform and standardisation work streams was published on 7 September 2017 and the consultation period ended on 4 October 2017.



Figure 1: Capacity trading reforms



Scope of consultation

To progress the capacity trading reforms outlined above, the GMRG established a number of project teams (Standardisation, Capacity Trading Platform and Day-Ahead Auction) to carry out the detailed design and development work, with the teams consisting of a mix of members drawn from industry, consumer groups, market bodies and other industries.

The project teams have met regularly over the last six months to discuss the design of the reforms, including consideration of the required and preferred outcomes set out by the AEMC in its *East Coast Review*. The GMRG has benefited from, and greatly appreciates, the effort and resources that project team members and AEMO have put into considering the design options and providing their advice to the GMRG.

The feedback and advice provided by the project teams, AEMO and the GMRG's legal advisor, Johnson, Winter & Slattery (JWS) has informed the development of the Standardisation and Capacity Trading Platform Consultation Paper, which comprises two parts:

- **Part A: Day-ahead auction** –This part of the consultation paper focuses on the product(s) to be sold through the auction, the design of the auction, the coverage of the auction and the operational, financial, contractual and governance arrangements that will be required to underpin the auction. The development of this part of the consultation paper has been informed by the work carried out by AEMO, the Day-Ahead Auction project team and advice from the GMRG's independent auction



advisor, NERA Economic Consulting (NERA), and its legal advisor, Johnson, Winter & Slattery (JWS).

- **Part B: Reporting framework** – This part of the consultation paper focuses on the types of trades that could be subject to the reporting framework, the information that trading parties could be required to report and the governance arrangements required to underpin the reporting framework. The development of this part of the paper has been informed by work carried out by the Standardisation project team and JWS.

While two separate consultation papers have been published, the reforms are interrelated and dependent upon each other to achieve their objectives. This consultation paper should therefore be read in conjunction with Standardisation Related Reforms and the Capacity Trading Platform Consultation Paper, a copy of which can be found on the GMRG's website.¹

Next steps

The GMRG is seeking written feedback on the consultation paper by **5 pm (AEST) Monday 6 November 2017**. A range of questions are provided in the paper to assist stakeholders with their responses. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern.

Stakeholders are also invited to attend a public forum, which will be held on **Tuesday 31 October 2017** in Melbourne. Should you wish to attend the public forum please RSVP to admin@gmrg.coagenergycouncil.gov.au by **5 pm AEST Friday 20 October 2017** outlining the names and contact details of attendees from your organisation and provide details of any dietary or access requirements you might have.

Feedback received through this consultation process will inform the GMRG's recommendations on the final design of the day-ahead auction and reporting framework for secondary capacity trades, which are expected to be provided to the Energy Council in December 2017 for its consideration.

¹ <http://gmrg.coagenergycouncil.gov.au/publications/standardisation-related-reforms-and-capacity-trading-platform-consultation-paper>