



# Capacity Trading Reform Package

Legal and regulatory framework

Public Forum

22 March 2018



# Agenda

1. Overview of the reforms
2. Draft legal and regulatory framework
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4. Capacity trading platform
5. Day-ahead auction
6. Reporting framework for secondary capacity trades and other transparency measures
7. Harmonisation of gas day start times and nomination cut-off times
8. Key timings
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# Overview of capacity trading reform package



# Capacity trading reform package

The reform package provides for the implementation of:

- a **capacity trading platform** that will form part of the GSH and provide for exchange-based trading of commonly traded transportation products and a listing service.
- a **day-ahead auction** of contracted but un-nominated capacity, which will be conducted each day shortly after nomination cut-off time and subject to a reserve price of zero.
- a number of **measures to facilitate capacity trade and the auction**, including **standard operational agreements** that will establish the standard contract terms between service providers and shippers for capacity procured through the trading platform, auction and bilaterally.
- a **reporting framework for secondary capacity trades** and a number of other transparency measures that are designed to facilitate capacity trades and the auction.
- **harmonised** gas day start times (6 am (AEST)) and nomination cut-off times (3 pm (AEST)) for pipelines and compression facilities subject to the capacity trading reforms.

In November 2017/January 2018 the COAG Energy Council endorsed the GMRG's final recommendations on the design of the reforms and agreed:

- the trading platform and auction should be implemented **by 1 March 2019**; and
- harmonisation of gas days should occur by **1 October 2019**.



# Approved design and proposed refinements

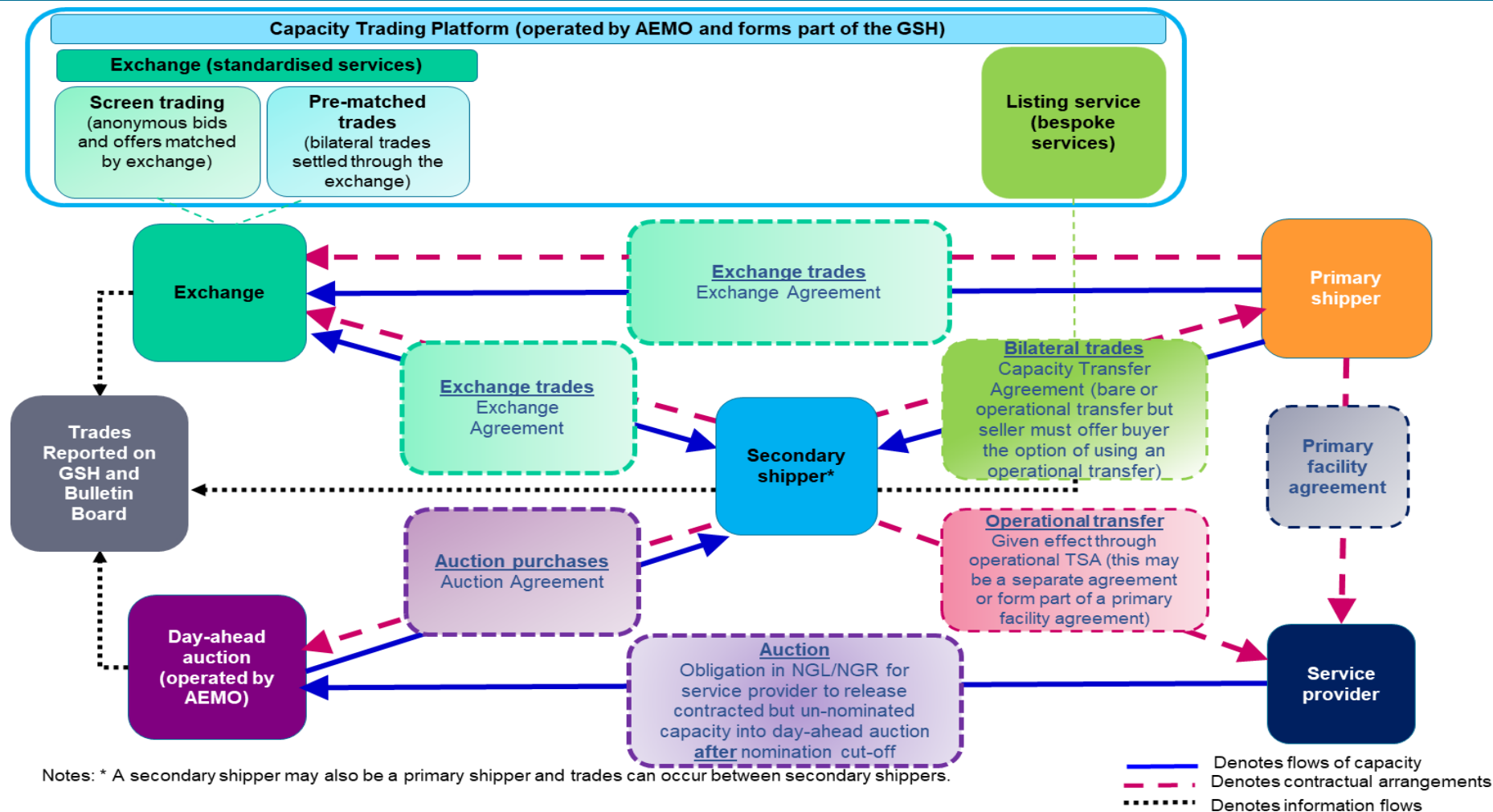
The legislative and regulatory package gives effect to the Energy Council approved design, but also includes some proposed refinements to better reflect the objectives of the approved design.

A number of the refinements were flagged in the GMRG's final recommendations, but will require Energy Council approval. The refinements principally relate to:

- the **exemptions** that will be available from certain aspects of the reforms;
- the governance arrangements that will apply to the **specification of zones**;
- the **AER's role** in relation to the Operational Transportation Service **Code**;
- the way in which **contractual limitations** on capacity trading will be addressed;
- the transportation rights that will be **grandfathered** for the purposes of the auction;
- the **contract path model** that will be used in the auction;
- the methodology used to calculate the **auction quantity limits**;
- additional measures to improve the transparency of **allocation agreements**; and
- the **transitional arrangements** required to facilitate the harmonisation of gas days.



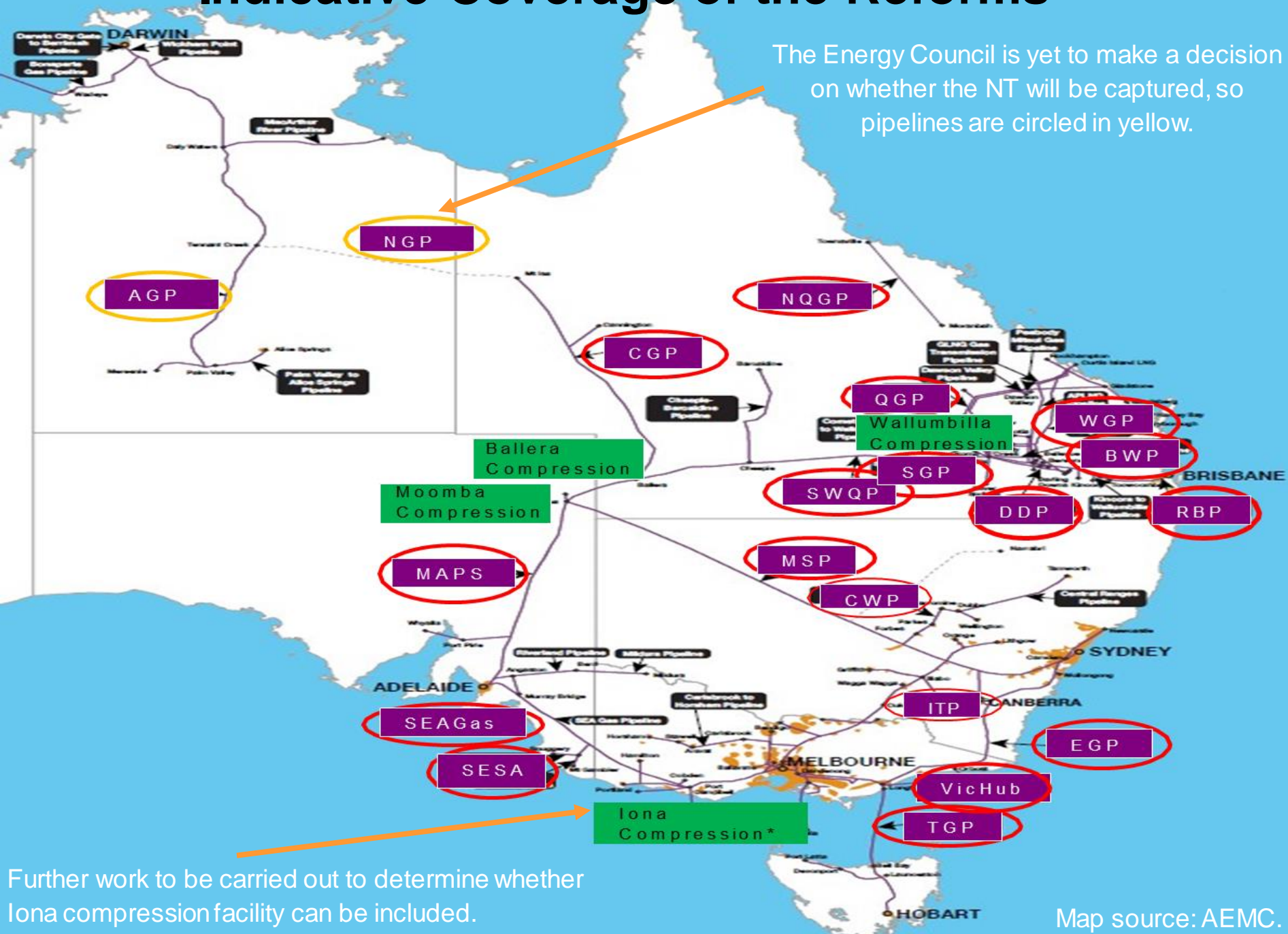
# Reforms at a glance



\*Screen trades will operate on a **fully anonymous** basis, with AEMO reporting trades directly to service providers and service providers giving effect to trade in accordance with the NGR and the transaction support arrangements in the Capacity Transfer and Auction Procedures.

\*\*Trades conducted through the exchange and auction platform will use the existing GSH settlement, prudential and reporting frameworks and allow aggregation of prudential requirements.

# Indicative Coverage of the Reforms



# Legal and regulatory framework



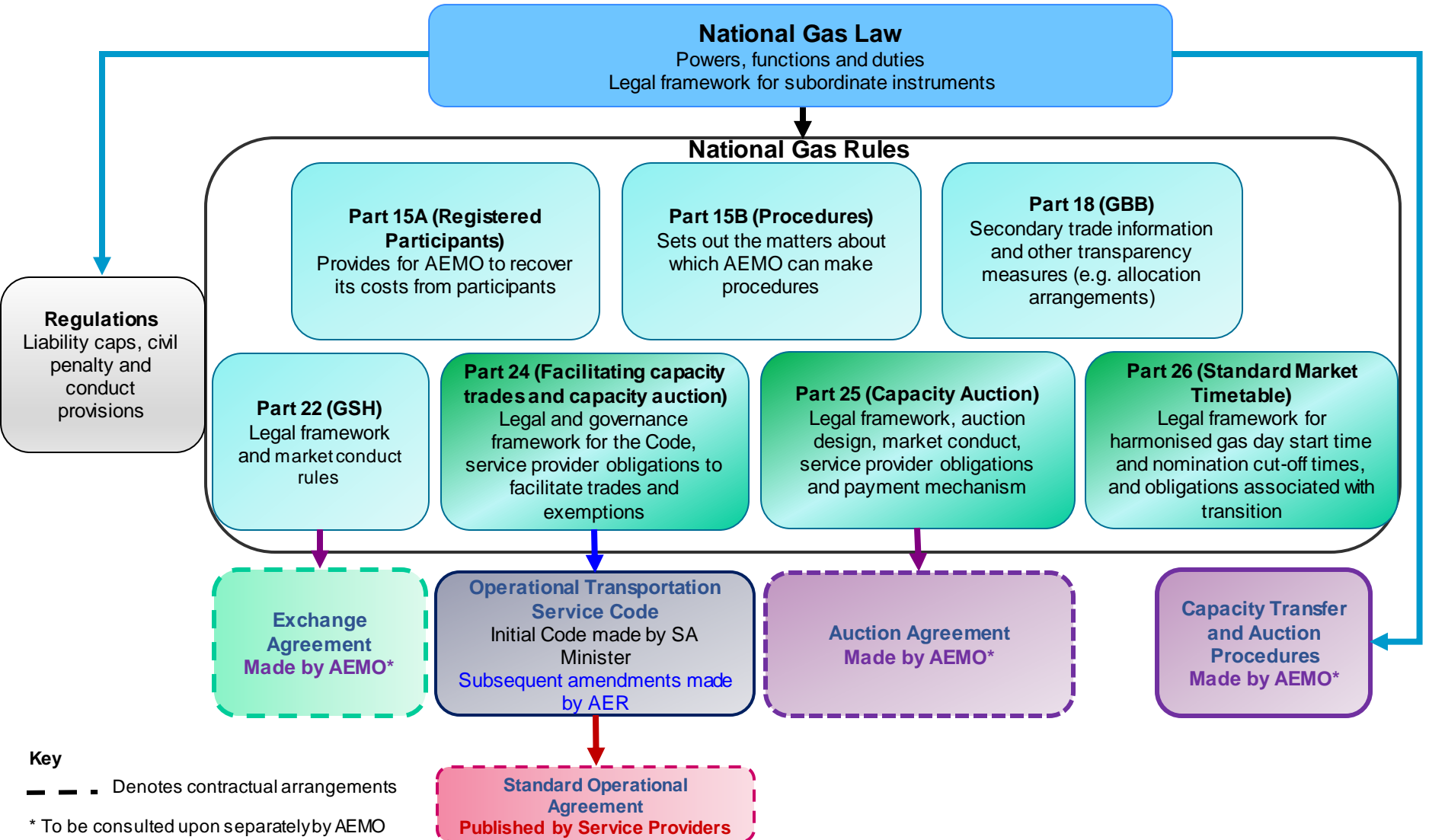


# Legal and regulatory framework

Implementing the reforms will require:

- the Energy Council to agree to a package of legislative and regulatory measures, including:
  - changes to the National Gas Law (**NGL**);
  - changes to the regulations made under the NGL (**Regulations**); and
  - changes to the National Gas Rules (**NGR**), which will include:
    - changes to **Part 15A (Registered Participants)**, **Part 15B (Procedures)**, **Part 18 (Natural Gas Services Bulletin Board)** and **Part 22 (Gas Trading Exchange)**; and
    - the insertion of three new parts into the NGR: **Part 24 (Facilitating Capacity Trades and the Capacity Auction)**, **Part 25 (Capacity Auctions)** and **Part 26 (Standard Market Timetable)**; and
  - the development of a new instrument, the Operational Transportation Service Code (**Code**).
- AEMO to:
  - develop a new set of procedures, referred to as the Capacity Transfer and Auction Procedures and the Auction Agreement;
  - amend the Exchange Agreement applicable to the GSH; and
  - amend a number of other procedures (e.g. the STTM Procedures, DWGM Procedures, Bulletin Board Procedures and Retail Market Procedures).

# Legal and regulatory instruments





# Governance arrangements post implementation

Once the reforms are implemented:

- The **Energy Council** will be responsible for any further changes to the NGL and Regulations.
- The **AEMC** will be responsible for changes to the NGR.
- **AEMO** will be responsible for making changes to Procedures, the Exchange Agreement and Auction Agreement.
- The **AER** will be responsible for:
  - approving changes to the Code;
  - developing and amending any guides or guidelines specified in the NGR;
  - monitoring and enforcing compliance with the NGL, NGR and Procedures; and
  - granting exemptions.

## Governance arrangements for the Code

Once the Code is implemented, it will be subject to the following governance arrangements:

- An industry panel (the **OTS Code Panel**) chaired by AEMO will consider any proposed changes to the Code and make recommendations to the AER on whether the changes should be accepted, rejected or accepted in a modified form and transitional arrangements; and
- The AER will consider the recommendations of the OTS Code Panel (having regard to provisions in the NGR) and decide whether or not to approve the changes. The AER will also have the power to make changes to the Code on its own initiative, subject to consultation.



# Application of the reforms

The reforms will apply in the east coast, including in Queensland, New South Wales, the Australian Capital Territory, Victoria, Tasmania and South Australia.

A decision on the application of these reforms to Western Australia and the Northern Territory is yet to be made.

**Western Australia:** In the event the reforms are adopted in Western Australia, amendments to the National Gas Law of WA and regulations made under that Law will need to be made.

**Northern Territory:** The AEMC recently completed its *Review into the application of capacity trading reforms in the Northern Territory* and recommended the reforms be adopted. In doing so, the AEMC noted that the same benefits identified in the east coast review were found to apply in the Northern Territory. The Energy Council is expected to consider this recommendation in April/May and make a decision on whether the reforms should apply.

The draft legal and regulatory package has been drafted on the basis that the Northern Territory will become subject to the reforms once the Northern Gas Pipeline is commissioned, to enable stakeholders to understand how the reforms would apply.

If the Energy Council decides the reforms should not apply in the Northern Territory (or if only some reforms should apply), the legal and regulatory package will be amended.

Measures to facilitate capacity trade and the auction



# Measures to facilitate trades and the auction

The capacity trading reform package includes a number of measures designed to facilitate capacity trading and the day-ahead auction, including, amongst others:

- a framework to facilitate **operational transfers**, which will be used for all trades conducted through the exchange and day-ahead auction and bilateral trades where the buyer decides to use an operational transfer (rather than a bare transfer);
- a requirement for non-exempt service providers to publish and to offer to enter into a **standard operational agreement** (a standard form operational TSA) with prospective secondary shippers, which will establish the standard contract terms for use of capacity procured through the trading platform, auction or bilaterally on an operational transfer basis;
- a requirement for service providers to give effect to operational transfers and to comply with the **transaction support arrangements** set out in the Capacity Transfer and Auction Procedures, which will underpin the capacity trading platform and auction;
- **measures to overcome contractual limitations on capacity trading**, which include a requirement for service providers to:
  - amend facility agreements if requested by the shipper to enable the shipper to sell its capacity through an operational transportation service agreement and
  - comply with receipt and delivery point change process set out in the NGR; and
- the use of **zones** in the capacity trading platform, the day-ahead auction and the secondary capacity reporting framework.



# Exemptions

**Background:** The final recommendations provided for service providers to obtain exemptions from:

- the **obligation to publish** a standard operational agreement if its transportation facility does not provide third party access, or is used to service a single end-user facility
- the **auction** if its transportation facility has a nameplate capacity rating less than 10 TJ/day, is not providing third party access, or is servicing a single end-user facility.

**Proposal:** The GMRG is now proposing to align the exemptions and allow exemptions from the obligation to publish a standard operational agreement and the auction in the following cases:

- Automatic exemptions will be available to distribution pipelines, the DTS and compression facilities that are not used to transport gas between transmission pipelines; and
- Transportation facilities will be able to obtain an exemption from the AER if:
  - the facility is not providing third party access
  - the facility has a nameplate capacity rating less than 10 TJ/day, or
  - the facility is servicing a single shipper.

The important points to note about these exemptions are that:

- The single shipper and 10 TJ/day exemptions only exempt the facilities from the obligation to publish a standard agreement and **not** from the obligation to offer to enter into an agreement.
- If a prospective shipper requests that a single shipper facility enter into an operational TSA, then once the agreement is entered into, it will no longer qualify for an exemption.



# Governance model for the Code

**Background:** The final recommendations provided for the adoption of a hybrid governance model for the Code and allowed the AER to approve, reject or remit a recommendation from the OTS Code Panel.

Some concerns have subsequently been raised about the impact that any stalemate within the OTS Code Panel could have on the market because the Code defines the scope of the services that can be procured through the capacity trading platform and the auction. Further consideration has been given to the power the AER has to amend the Code.

**Proposal:** The GMRG is now proposing that the AER has the power to modify the Code on its own initiative, following consultation with the OTS Code Panel, AEMO and other stakeholders.

The proposed change is not intended to circumvent the OTS Code Panel. Rather, it is to provide the OTS Code Panel with an additional incentive to work effectively and to ensure the Code is operating as intended.

In the GMRG's view, this refinement provides an appropriate balance between ensuring that industry, through the Panel, has a central role in the development of the Code, and allowing the AER, as regulator, to ensure the Code is operating as intended and is promoting the NGO.





# Measures to address contractual limitations

**Background:** The final recommendations noted that there may be provisions within facility agreements that prevent or otherwise impede the trade of capacity. The GMRG therefore recommended that provisions be included in the NGL/NGR to overcome these limitations.

In subsequent discussions, it has become clear that service providers would prefer to amend facility agreements on a case-by-case basis to accommodate capacity trading.

**Proposal:** The GMRG is now proposing to include provisions in the NGR that require service providers, within 30 days of receiving a request, to give a shipper an amending agreement that:

- Enables the shipper to sell any spare capacity it may have under an operational TSA.
- Gives effect to other principles to facilitate trade and the auction, including a requirement that:
  - the shipper's transportation services be capable of being unbundled;
  - trades be allowed to occur through either the capacity trading platform or bilaterally;
  - the shipper be able to transfer other contractual entitlements bilaterally if this can occur in a manner consistent with the safe and reliable operation of the facility;
  - any provisions regulating the service provider's obligation to give effect to the operational transfer be reasonable;
  - the shipper not be made liable for the use of any capacity it has sold; and
  - no indemnity or equivalent provision be sought from the shipper.



# Governance arrangements for zones

**Background:** The final recommendations provided for the zones used in the platform and auction to be subject to the same governance arrangements that will apply to the Code.

Service providers subsequently raised some concerns about the role of the Panel in this process and suggested that as an alternative, AEMO should be responsible for approving zones proposed by service providers.

While the suggested approach had some initial appeal, it has become clear through preliminary work on the zones that operational considerations may be given greater weight than market considerations under this propose-respond model.

**Proposal:** Given the trade-offs that may be involved in defining the bounds of the zones, the GMRG is proposing that AEMO be accorded responsibility for determining the zones having regard to any matter relevant to that determination including:

- the likely impact of the proposed grouping on trade in products offered through the platform or the auction including the impact on demand or liquidity; and
- the ability for capacity to be transferred under the proposed grouping between service points within the zone, whether over time or at particular times or in particular conditions.

The NGR will also require non-exempt service providers to provide AEMO with the information it reasonably requires for this assessment and to undertake any modelling required by AEMO.



# Changes to the NGL and Regulations

**NGL:** Changes are required to:

- extend the subject matter of the NGR and the AEMC's rule making functions;
- accord the AER the power to make amend the Code;
- amend AEMO's functions and powers to allow it to establish, operate and administer transaction support arrangements and make the Capacity Transfer and Auction Procedures;
- set out a number of matters relating to the standard operational agreements (e.g. the requirement to publish, update and offer to enter into agreements and providing for the NGR to set out exemptions);
- require sellers in bilateral trades to state the terms on which they will arrange for the trade to be conducted using an operational TSA if requested by the buyer; and
- prevent service providers, shippers and their associates from engaging in conduct that prevents or hinders access to an operational service.

**Regulations:** Changes are required to specify the NGL and NGR provisions that will be classified as civil penalty or conduct provisions.



# Changes to the NGR

**NGR:** A new part will need to be included in the NGR (Part 24) that sets out:

- the rules relating to the Code, including provisions that:
  - set out the scope and subject matter of the Code;
  - specify the membership categories for the Code Panel and provide for AEMO to establish and chair the Code Panel;
  - provide for the AER to make and amend the Code on the advice of the Panel or on its own initiative, following consultation;
- the exemptions and registration framework, the Capacity Transfer and Auction Procedures content and a requirement for AEMO to develop a transportation service point register;
- the requirement for AEMO to determine the zones that will be used in the capacity trading platform and auction, in accordance with principles specified in the NGR;
- the rules relating to standard operational agreements, including provisions that set out:
  - the obligations service providers have to develop, publish and amend standard operational agreements and to offer to enter into such agreements;
  - the service provider cost recovery arrangements;
  - the power the AER has to conduct a review of the standard operational agreements and the fees charged under these agreements; and
- the obligations service providers have to amend facility agreements and to comply with the service point change process set out in the NGR.



# Transitional rules

**Transitional rules (Schedule 5 of the NGR):** These rules will set out:

- the commencement date for the operation of Part 24;
- the transitional arrangements for the Code, which will prevent any modifications taking effect for the initial 12 months unless the AER considers it urgently necessary or non-material;
- the power the AER has to grant transitional exemptions to cover the period between the commencement of the NGR and when the AER makes a decision; and
- the registration requirements for facilities commissioned on or before Part 24 commencement.

**Code:** The Code will cover the following matters:

- the form of agreement incorporating the standard terms and the facility specific terms;
- The standard terms that must be included in all standard operational agreements, which include:
  - a description of the standard operational transportation services; and
  - other terms and conditions described as standard terms in the Code; and
- the matters to be included as facility specific terms in the standard operational agreement and the requirements for such terms.

Capacity trading platform



# Capacity Trading Platform design

**Platform:** The capacity trading platform will form part of the GSH trading exchange and provide for:

- **Exchange-based trading** of commonly traded transportation products, which can be conducted through either the screen trade or pre-matched trade service.
- **A listing service** that can be used to advertise other products and imbalance trades.

**Products:** Participants will be able to use the exchange to procure:

- firm **forward haul** products (in both directions on bi-directional pipelines (or parts of pipelines));
- firm stand-alone **compression** products; and
- firm **park** (storage) products.

Products available on a **day-ahead, daily, weekly** and **monthly** basis with min. product size 500 GJ.

Forward haul services and, in some cases stand-alone compression services, will be traded on a **zonal basis** with secondary firm rights at receipt and delivery points.

**Management of financial and delivery default risks:**

- **Termination** of seller's primary GTA: Service providers to honour trades for up to 14 days after termination and will be paid a price determined by AEMO for doing so.
- **Suspension** of seller's primary GTA: Service providers to honour trade for term of trade.
- **Short-selling:** Service providers to provide seller a short period of time to rectify.



# Changes to legal and regulatory framework

Only a small number of changes will need to be made to the NGL and NGR to give effect to the design of the platform.

**NGL:** Changes are required to:

- extend the subject matter of the NGR and the AEMC's rule making functions;
- allow the NGR to specify what will occur if a primary GTA is terminated or suspended; and
- provide for transaction support arrangements to be included in the Capacity Transfer and Auction Procedures.

**NGR:** Provisions need to be included in Part 22 and Part 24 of the NGR to implement the obligations service providers will have to:

- honour trades conducted through the exchange for up to 14 days if a seller's primary GTA is terminated, or for the term of the trade if the primary GTA is suspended; and
- give effect to trades conducted through the exchange, subject to any transaction support arrangements in the Procedures and the terms and conditions of the facility agreement.

**Other:** In addition to the changes to the NGL and NGR, AEMO will need to:

- develop the Capacity Transfer and Auction Procedures;
- amend the Exchange Agreement (i.e. so the capacity products can be listed for trade); and
- make changes to other procedures and subsidiary documents to accommodate the platform.



Day-ahead auction



# Day-ahead auction

Design	Detail
Coverage	The exemption criteria for the auction will be the same as they are under Part 24 of the NGR.
Operator	The auction will be conducted by AEMO and use the existing GSH settlement and prudential frameworks.
Auction products	<p>Participants will be able to use the day-ahead auction to procure:</p> <ul style="list-style-type: none"><li>• forward haul services, with products offered in both directions on bi-directional pipelines;</li><li>• backhaul services; and</li><li>• stand-alone compression services (Moomba, Wallumbilla, Ballera and potentially Iona).</li></ul>
Auction format	<p>The auction will take the form of a partial combinatorial auction (which will allow capacity to be procured across multiple pipelines and compressors) with static backhaul and provide for:</p> <ul style="list-style-type: none"><li>• a single round sealed bid process with a zero reserve price;</li><li>• a pay-as-cleared pricing rule, which will be determined by the lowest accepted bids; and</li><li>• auction winners to be determined using the revenue-maximising combination of bids, with proceeds allocated to facility operators on basis of revenues achieved by products offered by each operator.</li></ul>
Auction quantities	<p>The methodology to be used to calculate the auction quantity limits will be in the Auction Procedures. When developing the methodology, AEMO will be required to give effect to principles in the NGR.</p>
Market conduct rules	<p>Auction participants will be required to comply with similar general requirements and market conduct rules to those applying in the GSH.</p> <p>All shippers will also be prohibited from making a nomination or renomination that is false, misleading or likely to mislead. To enable the AER to monitor compliance with this provision, auction facility operators will be required to maintain records of nominations and renominations and shippers will be required to maintain records of material renominations.</p>



# Auction service priority principles

Auction services will be subject to the following priority principles:

- In the case of contracted capacity, auction services will rank below firm and grandfathered transportation rights and renomination rights (firm and reasonable endeavours), but above all other lower tier transportation and renomination rights from a scheduling, curtailment and renomination rights perspective.
- If there is a more general shortfall in the facility's capacity, which affects both the contracted and uncontracted capacity on a day (including in the case of backhaul, by reason of a reduction in net forward haul flows), the auction service will be curtailed after lower tier services.

## Scheduling and renominations priority



Firm capacity products  
Grandfathered rights  
**Auction product**  
As available services  
Authorised overrun services  
Interruptible services

## Curtailment priority



The NGR will:

- require service providers to comply with these priority principles to the extent it is operationally and technically feasible to do so; and
- prohibit service providers from scheduling lower tier services (e.g. as available and interruptible services) from the contracted capacity prior to the auction service.



# Grandfathered rights

**Background:** The final recommendations provided for as available and authorised overrun rights to be ‘grandfathered’ where a service provider would be in breach of existing contractual commitments if it scheduled these services after the auction.

Provision was made for this to occur because we understood a number of generators were using these services, but it was noted that as confidence in the auction grew, generators could be expected to make greater use of the auction and the trading platform. This was therefore only proposed as a transitional measure.

When the recommendations were made it was understood this transitional measure would only apply to a small subset of as available and overrun rights. However, subsequent consultation has revealed that as drafted, service providers may seek to rank all as available and authorised overrun rights ahead of the auction product, which would be contrary to the policy intent.

**Proposal:** The GMRG is therefore proposing to limit the scope of the grandfathered rights to:

- transportation rights used by generators to transport gas to their generation site that in normal operating conditions would be treated as firm once scheduled; and
- these rights were acquired on or before 3 January 2018 (i.e. the date the Energy Council formally agreed to the GMRG’s recommendations on the design of the auction).

It is proposed that these rights would be grandfathered for a two-year period (until 1 March 2021).



# Contract path specification

**Background:** The GMRG's final recommendation was that further work be carried out in early 2018, in conjunction with AEMO, service providers and other stakeholders, to determine whether a point-to-point contract path or a zonal approach be used for the auction contract path.

**Proposal for forward haul & compression services:** The GMRG is proposing that forward haul and compression services be sold using a hybrid point-to-point / zonal model.

The hybrid model will allow auction participants to bid on a point-to-point basis for any unused capacity at individual receipt or delivery points, but their ability to secure capacity at those points will, in the case of pipelines, depend on whether there is sufficient:

- contracted but un-nominated (CBU) capacity available in the receipt point zone and delivery point zone they wish to use; and
- CBU capacity along the segments of the pipeline they need to use.

**Proposal for backhaul services:** The GMRG is proposing that backhaul services be:

- sold on a point-to-point basis between points that AEMO determines should be included in the auction from time to time; and
- allocated in a static manner against firm net forward haul flows.

In contrast to forward haul and compression services, the availability of backhaul services will not be constrained by CBU capacity. It will instead depend on whether there are sufficient firm net forward haul flows between the points on which the backhaul service is to be provided.



# Method used to determine auction quantity limits

## Background

When the final recommendations were made, it was unclear whether a point-to-point, zonal or hybrid contract path specification would be adopted and if the approach would differ across pipelines, so there was some uncertainty as to how the auction quantity limits would be calculated.

Given this uncertainty, the final recommendations provided for service providers to develop the auction quantity methodology and to have this approved by AEMO. The final recommendations did, however, note the need for further work to be carried out in parallel with the work on contract path specification.

## Proposal

Through the contract path specification work, it has become clear that determining the auction quantity limits will be quite mechanical and there would be benefit in having a common and transparent process.

The GMRG is therefore proposing that the methodology used to calculate the auction quantity limits be prescribed in the Auction Procedures that AEMO will be required to prepare.

When developing the methodology, AEMO will be required to give effect to the auction quantity principles specified in the NGR. The principles are intended to give effect to:

- the hybrid model for forward haul and compression services; and
- the static backhaul model for backhaul services.



# Changes to the NGL and Regulations

## **NGL:** Changes are required to:

- extend the subject matter of the NGR and the AEMC's rule making functions;
- specify AEMO's new auction related functions and powers and allow it to make the Auction Procedures, which market participants will be required to comply with;
- impose an obligation on auction facility operators, shippers and auction participants to provide AEMO with the information it requires for the auction and prohibit the provision of information known to be false or misleading;
- prohibit shippers from providing service providers information required for the auction (e.g. nominations and renomination information) that they know is false or misleading; and
- provide service providers and AEMO with immunity from civil monetary liability to shippers for selling capacity in the auction in accordance with the NGR.

## **Regulations:** Changes are required to specify:

- the civil monetary liabilities that will apply to parties providing information to AEMO; and
- the NGL and NGR provisions that will be classified as civil penalty or conduct provisions.



# Changes to the NGR

**NGR:** A new part will be included in the NGR (Part 25) that will:

- provide for the establishment, operation and administration of the auction by AEMO and set out the auction design and auction quantity limits principles that AEMO must give effect to;
- specify the services to be auctioned and the auction service priority principles that auction facility operators must give effect to if it is operationally and technically feasible to do so;
- set out the obligations auction facility operators will have to provide information to AEMO and to give effect to the auction results;
- set out the market conduct rules and other obligations auction participants will be subject to;
- prohibit shippers using the auction facility from making day-ahead nominations or renominations that are false or misleading or likely to mislead and require:
  - auction facility operators to keep records of nominations and renominations; and
  - shippers to keep records about any material renominations;
- provide for the payment of auction revenues to auction facility operators; and
- set out the scope of the Auction Procedures and Auction Agreement AEMO will develop.





# Transitional rules

**Transitional rules:** These rules will set out:

- the commencement date for the operation of Part 25 and the day-ahead auction;
- the transitional arrangements that will apply to the 'grandfathered' rights;
- the commencement dates for the obligation that shippers and auction facility operators will have to keep records of nominations and/or renominations and the date by which the AER will be required to publish an initial guideline on the information to be recorded; and
- the reporting obligations that compression service facility operators registered under Part 24 will be required to comply with to enable auction participants to understand the risks associated with the compression auction product.

**Other:** In addition to the changes to the NGL, NGR and Regulations, AEMO will also need to develop the Auction Procedures, which will contain detail on:

- the terms of participation in the auction and the form of the Auction Agreement;
- the conduct of the auction, including information on the auction quantity limits methodology, the bidding process, how auction results will be notified and settlement calculations;
- the information to be exchanged with auction facility operators and how the auction results will be given effect; and
- the auction related information that AEMO will publish on the Bulletin Board.

Reporting framework for secondary capacity  
trades and other transparency measures



# Reporting framework for secondary trades

Design element	Detail
Trades to be reported	<p>Information on the following trades will be reported:</p> <ul style="list-style-type: none"><li>• all screen and pre-matched trades carried out through the trading platform; and</li><li>• bilateral trades of capacity involving forward haul, backhaul, park, loan or compression services (except on distribution pipelines).</li></ul>
Information to be reported	<p>The following information on secondary trades will need to be reported:</p> <ul style="list-style-type: none"><li>• the trade date, service term and transportation facility;</li><li>• the type of service purchased and the priority of the service (e.g. firm, as available);</li><li>• the type of trade (e.g. screen traded, pre-matched, bilateral) and if the terms are the same or substantially the same as the standard operational agreement;</li><li>• the direction of the service and zones between which gas is transported;</li><li>• the amount of capacity procured (MDQ and for bilateral trades the MHQ); and</li><li>• the price paid (including, where relevant, the price structure and price escalation mechanism).</li></ul>
When and where information is to be reported	<p>Trades carried out:</p> <ul style="list-style-type: none"><li>• through the trading platform will be reported on the GSH by AEMO as soon as practicable after the trade occurs and published on the Bulletin Board by the end of the gas day; and</li><li>• bilaterally will be reported to AEMO by the earlier of one day after the trade is executed, and the day prior to the trade commencing (D-1) and published on the Bulletin Board.</li></ul>
Responsibility for reporting	<ul style="list-style-type: none"><li>• AEMO will be responsible for reporting trades carried out through the trading platform; and</li><li>• Sellers will be responsible for reporting bilateral trades, but they will be able to appoint a capacity transaction reporting agent to report on their behalf.</li></ul>



# Other transparency measures

## Reporting of auction information on the Bulletin Board

### Responsibility for reporting

AEMO will be responsible for publishing information on the results of the auction and other information specified in the Auction Procedures on the Bulletin Board.

## Allocation arrangements

### Information to be reported

Allocation agents to provide AEMO with following information for publication on the Bulletin Board:

- a description of the allocation methodology used at the allocation point;
- a description of the process for joining and leaving the agreement;
- a description of any charge to become a party to the agreement; and
- the allocation agent's contact details.

This obligation will be limited to allocation agents that operate at points through which gas is injected into or withdrawn from a Part 24 facility.

## Extension of Bulletin Board reporting obligations

### Obligations

- Service providers subject to Bulletin Board reporting obligations will be required to provide AEMO information on the nameplate rating, short-term and medium-term capacity outlook for each receipt and delivery point.
- Service providers for remote transportation facilities that would otherwise be excluded from the Bulletin Board reporting obligations but are ineligible for, or unable to obtain, an exemption under Part 24 of the NGR, will be subject to the reporting obligations.

The extension of these reporting obligations will enable auction participants and capacity trading platform users that utilise these facilities to assess the risks associated with trying to use the capacity procured through either mechanism.



# Allocation arrangements

## Background

When the final recommendations were made, the GMRG proposed that information on the contact details of allocation agents be published and suggested that further work be carried out in early 2018 to identify whether any other information on these arrangements could be published.

## Proposal

This work has now been completed and based on feedback provided by shippers and service providers, the GMRG now proposes that, in addition to the allocation agent's contact details, information on the allocation methodology used at the allocation point and the process for joining and leaving an agreement (including any charges that are payable) should be published on the Bulletin Board.

The obligation to provide information will be limited to allocation agents that operate at points through which gas is injected into or withdrawn from a Part 24 facility.

The GMRG is seeking feedback on this proposal, including on whether stakeholders have any concerns around the proposed information provision or if there is further information that should be published.



# Proposed legal and regulatory framework

**NGL:** Changes are required to:

- extend the subject matter of the NGR and the AEMC's rule making functions;
- expand AEMO's functions and powers as operator of the Bulletin Board to include the collection and collation of information on secondary capacity trades;
- require information about secondary capacity trades to be provided to AEMO in accordance with the NGR; and
- require allocation agents to provide information to AEMO.

**NGR (Part 18):** Changes are required to:

- set out the obligations that sellers in bilateral trades have to report trades to AEMO, the information to be reported and the required timing;
- require AEMO to publish information provided by secondary capacity sellers (or their agent);
- require AEMO to publish information about trades carried out through the GSH and auction information on the Bulletin Board;
- set out the obligations that allocation agents will have to report information to AEMO; and
- require service providers to provide AEMO with information on the nameplate rating, short-term and medium-term capacity outlook for each receipt and delivery point and require service providers of remote transportation facilities to be subject to these obligations.

Harmonisation of gas day start times and nomination cut-off times



# Harmonisation of gas day start times and nomination cut-off times

Design	Details
Gas day start times	Common 6 am (AEST) gas day start time to apply to all facilities and the facilitated markets in the east coast and Northern Territory once connected
Nomination cut-off	Common 3 pm (AEST) nomination cut-off time to apply to all facilities subject to capacity trading reforms
Harmonisation date	1 October 2019
AEMO's responsibilities	<p>AEMO will be responsible for:</p> <ul style="list-style-type: none"><li>• making amendments to the STTM, DWGM and retail market procedures; and</li><li>• industry readiness activities (e.g. coordinating, informing, monitoring and reporting on preparedness for the change, noting operators of affected facilities will determine how to transition to the new times).</li></ul>
Operators of affected facilities	<p>Operators of affected facilities will be responsible for:</p> <ul style="list-style-type: none"><li>• establishing and executing a program to make the necessary changes to metering infrastructure, flow control computers, IT and other systems;</li><li>• amending business practices and procedures to give effect to the harmonised times; and</li><li>• revising their contracts (e.g. gas supply agreements, gas transportation agreements, gas storage agreements and allocation agreements) to reflect the harmonised times.</li></ul>





# Proposed legal and regulatory framework

**NGL:** Changes are required to:

- extend the subject matter of the NGR to include the standard market timetable;
- define the standard gas day (period of 24 hours starting at the time specified in the NGR);
- specify that persons required by the NGR to implement the standard market timetable must do so in accordance with the NGR;
- provide a check on claims for cost pass through under change in law clauses in contracts; and
- permit service providers to enter into agreements for access that differ from applicable access arrangements subject to complying with the standard market timetable.

**NGR:** A new part will be included in the NGR (Part 26) that will:

- set out the standard gas day start time and require the relevant facility operators to implement the standard gas day;
- set out the standard nomination cut-off time for transportation facilities that are subject to the capacity trading reforms and require the relevant transportation facilities to implement the standard nomination cut-off time; and
- require facility operators to ensure that the measurement and recording of quantities of gas in particular circumstances correspond to the standard gas day (or periods shorter than a gas day if the first such period starts at the start of the standard gas day and last such period ends at the end of the standard gas day).



# Transitional arrangements

During the GMRG's consultation process a number of stakeholders suggested that transitional arrangements may be required in the NGR or procedures to facilitate coordination between market participants.

Accordingly, the GMRG has proposed the inclusion of a number of transitional rules to assist with the transition to a standard gas day, and as applicable, the standard nomination cut-off time.

These **transitional rules** (Schedule 5 of the NGR) provide for:

- AEMO to publish information on the arrangements it will implement to transition to the standard gas day in each gas market on or before 1 April 2019; and
- facility operators that provide services to third parties to publish information (as may be reasonably expected to be required by users of the facility, the operators of connected facilities or AEMO) on the operational arrangements they will put in place to transition to the standard gas day and nomination cut-off time (as applicable) by no later than 30 June 2019.
  - Facility operators must use reasonable endeavours to ensure the arrangements are, to the extent reasonably practicable, consistent with arrangements used by connected facilities and in gas markets.

The GMRG is seeking stakeholder views on these transitional arrangements, particularly on the information required to be published by facility operators.

Key timings



# Expected commencement and timing of key obligations

Date	Activity
After 30 September 2018 but before 1 December 2018	NGL amendments come into effect. Minister made rules and Code come into effect Trigger date for being an initial Part 24 facility, an existing BB allocation agent and allocation point
Rules start date + 20 business days	Last date for the service provider for an initial Part 24 facility (if not the subject of a transitional exemption) to apply to register under Part 24 Last date for existing BB allocation agent to apply to register under Part 24 and to apply to register an existing BB allocation point under Part 24
Rules start date + 40 business days	Obligation for Part 24 facilities to publish standard operational agreement commences
1 February 2019	Reporting by Part 24 compression facility commences (AEMO to publish on the Bulletin Board)
1 March 2019	Auction commences and existing auction facilities becomes subject to the capacity auction Part 24 facilities required to give effect to operational transfers and service continuity Secondary capacity trade reporting commences Auction facility operators to maintain nomination and scheduling records and users of these facilities to keep renomination records for material renominations
1 April 2019	AEMO to publish information about the arrangements for transition to standard market timetable
30 June 2019	Facility operators must publish information about arrangements for transition to standard market timetable
1 October 2019	Standard market timetable comes into effect
1 March 2021	Grandfathering of rights for the purposes of the capacity auction ceases at 6:00 am

Next steps

# Implementation time frames

Implementation tasks	Q4 2017	Q1 2018			Q2 2018			Q3 2018			Q4 2018			Q1 2019		
	Dec	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Legal and Contractual Architecture																
GMRG and AEMO																
Technical development and stakeholder feedback		Informal consultation														
GMRG																
NGL, Regulations, NGR and Operational Transportation Service Code		Drafting		Formal consultation	SCO and Energy Council approval		NGL, Regulations, NGR and Operational Transportation Service Code made by SA Minister		★							
AEMO																
AEMO Procedures for Auction and Capacity Trading Platform				Drafting					Formal consultation	Made by AEMO						
System Design, Development and Testing																
AEMO																
High level system design		System Design														
Registration, market integration, interface with service providers				Phase 1 System Development												
Auction bid interface and solver				Phase 2 System Development												
Settlement and prudential systems, market reports and Bulletin Board changes				Phase 3 System Development												
Industry testing (Capacity Transfer Interface, Reporting)											Industry Test					
Industry trial														Industry Trial		
Technical development and stakeholder feedback				Informal consultation												
Readiness, Market Guidelines and Training																
AEMO																
Stakeholder engagement (market readiness matters)								Informal consultation			Training					
Participant training								Preparation			Preparation					
Industry guides														Publication		
Fully Integrated Market Start																
Capacity Trading Platform, Day-Ahead Auction and Reporting Framework																Go-Live



Please note that the timing associated with when the NGL, Regulations, NGR and Operational Transportation Service Code are made is conditional upon the passage of an Amendment Bill through South Australian Parliament and its subsequent Proclamation.



# Next steps and timing

The GMRG has released the draft legal framework (i.e. the NGL, Regulations, NGR and Code) required to give effect to the reforms.

Public consultation commenced on Monday 19 March 2018 and will conclude on **Friday 27 April 2018**.

Following the incorporation of stakeholder feedback, the final set of proposed amendments to the NGL, Regulations and NGR, as well as the initial Code will be provided to Energy Council for approval. This is expected to occur in mid-2018.

If the proposed changes are approved, the SA Minister for Mineral Resources and Energy will progress the NGL changes through SA Parliament. Following the proclamation of the NGL changes, the SA Minister will make the initial rules. Once these changes have been made, AEMO can commence work on changes to procedures.

Date	Process
December 2017- February 2018	Development of drafting instructions for the NGL and Regulations and the development of amendments to the NGR and other subordinate instruments
Mid-March - April 2018	Stakeholder consultation on the draft instruments (6 weeks)
June 2018	Final instruments presented to Energy Council for approval
July- September 2018	Amendments to the NGL progressed through SA Parliament Once NGL changes have been proclaimed, the SA Minister can make the initial rules and any other subordinate instrument required to give effect to the reforms