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Dr Michael Vertigan AC
Gas Market Reform Group
c/o Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted via email: enquiries@gmrg.coagenergycouncil.gov.au

Dear Dr Vertigan

Standardisation Related Reforms and the Capacity Trading Platform – Consultation Paper

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Gas Market Reform Group's (GMRG) Consultation Paper on standardisation Related Reforms and the Capacity Trading Platform.

Origin is broadly supportive of the GMRG's proposal to develop a standardised operational Gas Transportation Agreement (GTA) and implement a single capacity trading platform that forms part of the Gas Supply Hub (GSH) trading exchange. Collectively, these reforms should assist with enhancing flexible access to pipeline capacity while also ensuring market participants retain the ability to negotiate around any standard provisions in accordance with their needs.

As requested, Origin has provided a response to some of the detailed design questions raised by the GMRG in Attachment 1. A summary of the key points that should be considered in finalising these work streams is provided below.

- *Primary GTAs:* While access to secondary capacity is important, primary GTAs play a critical role in underwriting investment in pipeline capacity. Any reforms to existing arrangements must ensure continued investment in capacity and preserve the rights of existing contract holders. Ensuring market participants retain the flexibility to negotiate bespoke agreements tailored to the specific needs of individual portfolios is essential in this regard.
- *Standardising operational GTAs:* Origin is supportive of developing a standardised operational GTA that can be used to give effect to trades conducted through the capacity trading platform and auction. Given the operational GTA will form the principal means by which trades are conducted and shippers will be able to negotiate to include the operational transfer mechanism in their primary GTA, standardisation of primary GTA's is not required or appropriate.
- *Capacity listing service:* Origin does not believe discriminatory access to pipeline capacity is a material issue, particularly given the capacity trading platform and auction will introduce additional market based mechanisms for allocating capacity on a non-discriminatory basis. To this end, Origin does not believe there is any justification for requiring capacity to be advertised ahead of time on the listing service prior to conducting trades outside platform. Further, as identified by the project team, this requirement would impede the ability of market participants to conduct trades in a timely manner, particularly if the transportation component is only a small component of an overall deal.

- *Gas-day harmonisation:* The current 1 April 2021 timeframe for harmonising gas-day start times remains appropriate. While it is recognised this start-date was originally intended to align with the implementation of the market reforms currently being considered by the GMRG, Origin does not believe current arrangements will impede trading of secondary pipeline capacity – gas has, and will, continue to flow to its highest value irrespective of whether gas day start times are harmonised. Further, as noted by the AEMC, additional benefits of the 2021 start date are that it will:
 - mitigate some of the implementation costs and disruptions associated with updating existing Gas Supply Agreements (GSAs) and GTAs, as some market participants will likely be negotiating new contracts over the transitional period and be able to account for the future change to the gas-day in those contracts; and
 - allow adequate time for industry to ready/test appropriate systems.
- *Harmonisation of nomination times:* Origin is strongly opposed to the harmonisation of nomination cut-off times. As noted above, the ability to negotiate nomination timeframes with pipelines and renominate on an intra-day basis provides shippers with operational flexibility, which is essential for businesses operating across both gas and electricity markets. If these arrangements are curtailed, this would significantly undermine the ability for shippers to efficiently manage their energy portfolios.
- *Prioritisation of capacity under the zonal receipt/delivery point model:* Origin supports the GMRG's proposed prioritisation of rights at receipt and delivery points, which will ensure primary shippers with firm rights have the highest priority. Consistent with this, it is also essential primary shippers' existing renomination rights are not impeded under the zonal model.

If you wish to discuss any aspect of this submission further, please contact Shaun Cole at shaun.cole@originenergy.com.au or on 03 8665 7366.

Yours Sincerely,



Steve Reid
Group Manager Regulatory Policy

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?	Origin is supportive of developing a standardised operational GTA that can be used to give effect to trades conducted through the capacity trading platform and auction. Given the operational GTA will form the primary means by which trades are conducted and shippers will be able to negotiate to include the operational transfer mechanism in their primary GTA, Origin agrees there is limited value in standardising primary GTA's and does not support any attempts to introduce standardised conditions into existing contracts.
3.3	Standard terms and facility specific terms	
10.	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.	The level of credit support required should be proportionate to the risks faced by the service provider and not act as a barrier to secondary trading. Consistent with this, Origin agrees that shippers with a credit rating of BBB- and above (or obligations guaranteed by an entity with such a rating – e.g. a parent company guarantee) should not be required to provide credit support.
3.4	Application of the standardised operational GTA	
17.	Do you think the secondary shipper and service provider should be able to negotiate terms for operational transfers that are different to those in the standardised operational GTA, or do you think the terms should be compulsory for all operational transfers?	The ability to negotiate bespoke agreements for pipeline capacity that are tailored to the specific needs of individual portfolios is a critical feature of the domestic gas market. Consistent with this, shippers should not be prohibited from: negotiating terms for operational transfers that are different to those specified in the standardised operational GTA; or negotiating to include secondary capacity in their primary GTA.
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,	See response to Question 17 above.

	Questions	Feedback
	do you think it should be left to the service provider to decide whether to approve such a request?	
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?	Origin is supportive of ensuring industry is responsible for guiding the future development of the Operational GTA Code and believes the proposed hybrid Governance model adequately addresses this issue by requiring AEMO to establish an industry representative panel that would be responsible for considering and recommending changes to the Operational GTA Code in the future. The AER would also seem well placed to provide independent oversight of the Operational GTA Code, given its current role in relation to approving the terms and conditions of access to covered pipelines.
4.2.1	Receipt and delivery point zones	
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?	The proposed principles are appropriately defined and should assist with ensuring zones are developed in a way that maximises the pool of prospective buyers/sellers while also minimising the risks that secondary shippers will not be able to access capacity at a receipt or deliver point within the zone.
4.2.2	Secondary firm rights	
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?	The GMRG's proposal to publish information on the capacity of receipt and delivery points and historic flows to these points on the Bulletin Board would allow secondary shippers to better understand the nature of the risk and the likelihood they will be interrupted.
39.	How do you think renomination rights should be treated <i>vis-à-vis</i> secondary firm rights under the zonal model?	Origin is supportive of the GMRG's proposed prioritisation of rights at receipt and delivery points, which will ensure primary shippers with firm rights have the highest priority. Consistent with this, it is also essential primary shippers' existing renomination rights are also preserved. Re-nominations (including intra-day) are crucial in managing fluctuations in gas demand brought on by several factors, including the operation of gas peaking plant in response to changes in the electricity market. If

	Questions	Feedback
		these arrangements are curtailed, this would undermine the ability for shippers to efficiently manage their energy portfolios.
4.3 Receipt and delivery point change process		
47.	Do you think provisions should be included in the NGR to override any contractual limitations on shippers seeking changes to receipt and delivery points?	Origin is not aware of any significant contractual impediments to changing receipt/delivery points. Further, the proposed zonal model will ensure those market participants that acquire secondary capacity through the trading platform have additional flexibility to adjust delivery/receipt points. To this end, Origin does not believe it is appropriate, or necessary, to implement changes to the NGR that would override provisions in existing GTAs
5.1 Allocation agreements		
52.	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 Error! Reference source not found.) are required to facilitate access to these agreements?	Secondary shippers would need to sign up to the allocation agreements at all the points they intend to supply or deliver gas to. The publication of information on the identity of the allocation agent at each point and their contact details should assist in this regard.
54.	Do you think there is any value in standardising allocation agreements?	Origin is not supportive of standardising allocation agreements. As noted in the consultation paper, this could adversely affect shippers operating under legacy arrangements and conflict with the AEMC's recommendation that counterparties to existing contracts should not be materially disadvantaged through the standardisation process.
5.3 Harmonisation of gas day start times and nomination times		
60.	Do you think there is value in bringing forward the harmonisation of gas day start times in the facilitated markets? <ul style="list-style-type: none"> ○ If not, why not? 	Origin believes the 1 April 2021 timeframe for harmonising gas-day start times is still appropriate. While it is recognised this start-date was originally intended to align with the implementation of the market reforms currently being considered by the GMRG, Origin does not believe current arrangements will impede trading of secondary pipeline capacity – gas has, and will, continue to flow to its highest value irrespective of whether

	Questions	Feedback
	<ul style="list-style-type: none"> ○ If so, do you think it should be brought forward to 1 October 2019, or another time? 	<p>gas day start times are harmonised. Further, as noted by the AEMC, additional benefits of the 2021 start date are that it will:</p> <ul style="list-style-type: none"> ▪ mitigate some of the implementation costs and disruptions associated with updating existing GSAs and GTAs, as some market participants will likely be negotiating new contracts over the transitional period and be able to account for the future change to the gas-day in those contracts; and ▪ allow adequate time for industry to ready/test appropriate systems. <p>An additional factor that should be noted is that April was identified by the AEMC as the most suitable month to implement the change based on the seasonality of load patterns in the New South Wales and South Australian gas markets and the resultant resourcing demands. It is not clear whether October would meet the same criteria.</p>
62.	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)?	Origin does not support harmonisation of nomination cut-off times. The ability to negotiate nomination timeframes with pipelines and renominate on an intra-day basis provides shippers with operational flexibility, which is essential for businesses operating across both gas and electricity markets. To the extent this flexibility is impeded, this would impede the ability of Origin to efficiently operate its gas-fired generation assets.
5.4 Contractual limitations		
67.	<p>Do you think the contractual limitations on capacity trading need to be addressed?</p> <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. 	Origin is not aware of any significant contractual impediments to capacity trading and is not supportive of re-opening existing contracts. This would give rise to a range of legal issues, given it would infringe on the property rights of capacity holders. It could also set a worrying precedent that may ultimately undermine the confidence of industry to enter into primary/foundation GTAs in the future.

Part B – Capacity Trading Platform

	Questions	Feedback
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?	Origin supports the proposed product tenors, which are consistent with the current Gas Supply Hub product tenors. The inclusion of a quarterly product could provide market participants with additional certainty to undertake longer-term gas trades, though liquidity may be limited, particularly at market start. Credit support requirements could also limit the ability for smaller market participants to trade longer dated quarterly products.
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?	Origin is comfortable with the proposed contract size of 500 GJ, but notes this is below the minimum contract size of 1 TJ for products traded on the GSH. To the extent there is a desire to align the standardised contract size with the GSH, a compromise may be to allow smaller volumes (e.g. 100 GJ or above) to be traded off-market.
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. 	Option 1, implementing a variable charge paid by the secondary shipper to the service provider, appears to be the easiest to implement. It is also consistent with ensuring trades remain fully-anonymous, which is Origins preference (see response to Question 77 below).
8.1.1	Partial or full anonymity	
77.	Do you agree that the fully anonymous option should be implemented? If not, please explain why.	Origins preference is that trades conducted through the platform are fully anonymous, with AEMO advising the pipeline operator of any trade and the pipeline operator confirming the trade with each counterparty separately.

	Questions	Feedback
		This will ensure trades conducted through the platform ahead of time cannot be used to infer market participants' respective positions in the electricity market.
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.	Where trading is conducted on a fully anonymous basis, transferring net positions to service providers at the end of each day, as per Option 2, is appropriate.
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.	See response to Question 78 above.
8.1.3 Other information that could be collected and provided		
80.	<p>Do you think there is value in having AEMO:</p> <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? <p>Or do you think this information should be provided directly by the counterparties to the service provider?</p>	There is likely value in shippers providing additional information to AEMO where they require the MDQ of an existing GTA to be adjusted following a trade.
8.3.1 STTM participation and integration		
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?	Origin is generally supportive of an integrated approach whereby, upon AEMO receiving confirmation from the pipeline operator that MDQ has been transferred following a trade, AEMO systems would automatically update STTM trading rights and DWGM accreditation constraints. Automating the flow of information should provide for a more efficient transaction process and reduce the risk of administrative error. But further information describing the extent to which this automation can be achieved,

	Questions	Feedback
		and the overall implementation costs, is needed to fully evaluate this proposal.
8.3.2	DWGM integration	
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.	See response to Question 87 above.
11	Bilateral trading obligations	
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? 	Origin does not believe discriminatory access to pipeline capacity is a material issue, particularly given the capacity trading platform and auction will introduce additional market based processes to allocate capacity on a non-discriminatory basis. To this end, Origin does not support the proposed requirement that trades conducted outside the capacity trading platform be advertised ahead of time on the listing service. As identified by the project team, this requirement could impede the ability of market participants to conduct trades in a timely manner, particularly if the transportation component is only a small component of an overall deal.