



Attachment 2 Stakeholder feedback template

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?	Shell is comfortable with the proposal for standardising operational GTAs and at this stage does not believe that it is necessary to standardise the primary GTAs. Whether standardisation of primary GTAs is desirable can be considered after review of the operation of the reforms.
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?	Shell is comfortable with the initial standardisation work being directed to the operational GTAs and at this stage does not believe that it is necessary to standardise the CTA for bilateral bare transfers particularly given AEMO has developed a standardised CTA. The desirability of this additional standardisation could be considered in the initial review of the operation of the reforms and with the issue of standardising primary GTAs.
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. 	Shell considers that on balance the standard terms and the proposed scope of the facility specific terms should achieve the stated objectives but notes that it is appropriate that this should be reviewed after initial operation of the reforms.



	Questions	Feedback
	<ul style="list-style-type: none"> are fit for purpose and embody the principles set out in section Error! Reference source not found.? If not, please explain why. 	
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>Shell considers that the current balance proposed between the standard terms and facility specific terms is appropriate again noting that this should be retested after the reforms have operated for an appropriate time.</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>Shell notes that under the proposed approach the Shipper indemnifies the Service Provider against 'all Loss' suffered or incurred by the Service Provider due to Off Specification Gas subject to the carve outs for Shipper agreeing to accept the off-specification gas and Losses that Service Provider could have avoided.</p> <p>It should be noted that gas supply contracts do not in general provide coverage for consequential losses or provide unlimited levels of indemnity for supply of off specification gas to Shippers. The liability provision should seek to follow the position under the gas sale agreement to allowing a Shipper to back to back liability with its gas supplier. To achieve this there should be an exclusion of Consequential Loss and a cap on total Shipper liability for off-specification gas.</p> <p>The liability of Shipper for off-specification gas is presumably limited by the operation of the general liability clause (17.1(d)) ie Supplier is not liable for any loss of profits or revenue of Service Provider. This exclusion should be consistent in ambit with the exclusion applying to Service Provider for Consequential Loss of Shipper in Clause</p>



	Questions	Feedback
		<p>17.2 (a). For clarify the operation of this carve out should be noted in the off-specification indemnity.</p> <p>Shell considers that a consequential loss exclusion applied mutually is appropriate and liability for such losses would otherwise potentially act as a barrier to entry for new participants.</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>Shell notes there is provision for liability limits noted in the Service Providers Liability. Shell's position is that such Limits are acceptable if they are mutual i.e. also applying for Shipper's Liability.</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>See above in answer 5, uncapped liability will act as a barrier to entry and is inconsistent with market practice for Gas supply contracts meaning the liability cannot be back to backed by Shippers.</p>
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>Shell considers that the limits should be mutual limits or not included at all with liability set by law.</p> <p>The inclusion of mutual limits is considered appropriate. For Shippers it will assist the introduction of new participants to the market who are unable to take on uncapped liabilities. Shell considers that the limits should be consistent with market and a recommendation is \$5million per event or series of events.</p>



	Questions	Feedback
9.	Is it appropriate to have differing liability regimes for the service provider and secondary shipper?	Refer answers above. To assist the operation of the market and the entry of new participants, the liability provisions should be reciprocal with mutual exclusions for Consequential loss and mutual monetary limits on liability outside the normal service payments.
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.	Shell supports the BBB- threshold but also notes it is important that provision should be made for Service Provider and Shipper to opt out of the relevant clause and agree their own credit support arrangements.
11.	<p>Do you think the amount of credit support should be a function of the value of the MDQ as outlined in section Error! Reference source not found.?</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. 	Shell is comfortable with the proposal for calculation of the credit support.
12.	Is the proposed approach to curtailment timeframes appropriate? Does the regime appropriately balance the interests of shippers and the need to preserve pipeline integrity and ensure that shippers have sufficient time to react to a curtailment?	Shell is comfortable with the approach and timeframes.
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	Shell is comfortable with the approach taken.



	Questions	Feedback
	do stakeholders consider are required for a workable stand-alone compression service?	
14.	<p>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:</p> <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? <p>If you think in-pipe trading should be reflected in the standard terms, what changes would need to be made to the standard terms.</p>	Shell is comfortable with the approach taken.
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?	Shell is comfortable with the approach taken.
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?	
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?	For the purposes of fungibility, having compulsory terms is appropriate however with the ability in some key areas to set different positions e.g.- Credit Support
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	



	Questions	Feedback
	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?	
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?	
20.	What principles do you think should be included in the NGR to guide any future amendments to the Operational GTA Code?	
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?	
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.	
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?	Shell is comfortable with the approach taken.
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?	



	Questions	Feedback
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.	
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? 	Shell is comfortable with the proposed principles for facility specific terms.
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.	Shell supports AEMO having the capacity to make capacity transfer procedures to support the operation of the capacity trading platform and day-ahead auction.
28.	Is any guidance required in the NGR on the matters AEMO should consider when developing these procedures?	Shell notes and supports the guidance given in section 3.5.4 of the Consultation Paper.



	Questions	Feedback
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? 	
30.	<p>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)?</p>	
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? 	
Standardised Operational GTA		



	Questions	Feedback
	<p>Do you have any other feedback on the contract terms?</p>	<p>Insurance (Clause 21.2) The level of insurance \$20M in respect of any one occurrence (public liability) and unlimited as to the number of occurrences, requires the 'unlimited insurance cover', which may not be capable of being procured in the marketplace.</p> <p>It is recommended that review of the availability of such insurance be considered before the extension to unlimited occurrences is included. There can be provision for the Service Provider to suspend services where the insurance cap may have been reached</p>
4.2.1 Receipt and delivery point zones		
<p>32.</p>	<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> <p>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</p> <p>minimising the risk that secondary shippers will not be able to access capacity at a receipt or delivery point within the zone?</p>	
<p>33.</p>	<p>Do you think that:</p> <p>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> <p>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> <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>	



	Questions	Feedback
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?	Shell is comfortable with the proposed principle suggested by the Standardisation project team.
35.	Do you think these principles should be included in the NGR?	
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.	
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?	
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?	
39.	How do you think renomination rights should be treated <i>vis-à-vis</i> secondary firm rights under the zonal model?	
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.	In the interest if introducing the capacity trading platform as soon as possible, Shell considers it reasonable for the initial set of zones to be developed by pipeline



	Questions	Feedback
		<p>operators with AEMO and the GRMG. In this regard, we have the following comments:</p> <ol style="list-style-type: none"> 1. Initially clear reasons for the selection of the groupings should be provided to participants. 2. We would support a high level review after 24 months to determine if wholesale changes are necessary. 3. We also agree that participants should be able to recommend changes and/or be consulted on changes proposed by a pipeline or another party. 4. A set of principles will be necessary to guide this decision-making process. At the moment, this is unclear.
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?	<p>As indicated a set of principles are necessary to guide Panel's decisions. We would support these being contained in a set of guidelines issued by the Panel rather than Rules. We would prefer these are not contained in the rules – these relate to very technical issues and also it makes it difficult to amend the Principles if they need to be amended.</p> <p>There should be an initial consultation on the Principles.</p>
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.	Shell agrees with the proposal to amend the NGR as noted.
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?	



	Questions	Feedback
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.	
45.	Are there any other reasons why you think consent should be able to be withheld by a service provider?	
46.	Do you think the timeframe that has been proposed for service providers to respond to requests to transfer receipt or delivery points: <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. 	
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?	
48.	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?	
5.1	Allocation agreements	
49.	How significant an impediment to trade do you think allocation agreements are?	The number of allocation agreements required can be a barrier to trade for new entrants. The standardisation of the agreements and deemed entry to the standard agreements would be a useful reform.
50.	Are there any other impediments to trade posed by allocation agreements and/or contribution agreements that have not been	



	Questions	Feedback
	identified in this consultation paper? If so, please explain what they are and how you think they could be addressed.	
51.	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?	Refer above – deemed entry to standard agreements is supported.
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?	
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?	
54.	Do you think there is any value in standardising allocation agreements?	Shell is supportive of standardising allocation agreements.
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?	
56.	Can contribution agreements, or the charges levied under these agreements, act as a barrier to trade?	
5.2 Imbalance clearing		
57.	Do you think the capacity trading platform should facilitate the trade of imbalances?	



	Questions	Feedback
	<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. 	
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)?	
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)?	
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? 	<p>In-line with earlier statements, Shell supports the harmonisation of the “Gas Day” start (and pipeline nomination cut-off times) across the East Coast Gas Market. In our view, it represents the development of a truly integrated market. That being said, in terms of bringing forward the start time, in Shell’s view, we do not believe that the overall costs would outweigh the benefits and our reasons are outlined below:</p> <ol style="list-style-type: none"> 1. We do not expect acceleration of the start date to materially increase the volumes traded either through the platform or bilaterally. Taking the Wallumbilla GSH as an example, it has taken time for the market to develop and for liquidity to grow. In the earlier period of the operation of the Capacity Trading Platform and Day Ahead Auction, we do not expect traded volumes to be at levels where the current differences in the gas day would create significant issues for participants and / or pipelines (i.e. materially discourage trading). <p>We consider that the current arrangements that are used to manage imbalances, due to differences in Gas Day start times, across markets and</p>



	Questions	Feedback
		<p>customers, (i.e. linepack and over-run changes) are likely to be adequate until the change takes place in 2021.</p> <ol style="list-style-type: none"> 2. Significant legal and commercial resources would be required to manage the necessary contractual amendments required to reflect changes to the gas day. This would require us to divert key resources involved in gas origination, trading and legal onto contract amendment negotiation, which could challenge and compromise our domestic trading activity for a period (which would be contrary to the recent outcomes of the signed Heads of Agreement between the Federal Government and Qld LNG producers). 3. 4. As expressed in earlier submissions to the AEMC, this change results in a need for QGC to align the upstream, export pipeline and LNG facility to the same gas day as the pipelines intersecting our system and the domestic market – otherwise we would be unable to balance and manage our system. This is a major operations project with an estimated cost in the order of \$10 Million. An acceleration of the start date would require us to move this expenditure into an earlier budgeting period (for which new approvals would be necessary) and would likely divert financial and human resources away from other priority gas production and development projects. <p>While we do not support bringing forward the Gas Day Harmonisation process, if a decision was taken to change the implementation date, given the magnitude of the project, we would require at least 24 months lead time from when the the National Gas Rules and / or National Gas Law are made.</p>



	Questions	Feedback
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? 	<p>While this requirement would not change the outcome for Shell regarding the need to make metering changes at our facilities and wells, we can understand this may make the changes simpler for other stakeholders.</p>
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, we consider there is benefit in harmonisation of nomination cut-off times. That being said, we are not in a position to determine the complexity, cost and the system disruption involved in this change for other parties and whether it is reasonable to expect this could be undertaken by October 2019. We assume the work involved would be a combination of legal (contract amendments) and system modifications.</p> <p>However based on our understanding at this point, it would seem reasonable to align this with the harmonisation of the gas day start time on 1 April 2021 (but, this would depend on views expressed by the directly impacted parties).</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>See response to Question 60.</p>
64.	<p>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?</p>	<p>Shell supports this inclusion</p>
<p>5.4 Contractual limitations</p>		



	Questions	Feedback
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.	
66.	How prevalent do you think these types of contractual limitations are?	
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.	
Other		
	Do you have any other feedback?	



PART B – Capacity Trading Platform - Shell

	Questions	Feedback
7.1	Initial set of exchange traded products	
68.	<p>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?</p>	<p>Shell is reasonably comfortable with the listing of products to launch the Platform. However, it is likely that it will not be until after the platform is operating for some time (and taking account of how the market develops), that the participants will be in a position to determine if other products are required (and if others should be removed).</p> <p>While we understand that changes will be made via the Exchange Agreement we suggest some form of "fast-track" process be introduced for changes to the platform's product offering – see response to "other feedback section following question 113).</p>
69.	<p>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:</p> <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? 	<p>In-line with the comments above, we do not view any of the list as requiring development prior to the launch of the Platform (with the exception of locational swaps).</p> <p>That being said, we are keen to see location swaps develop between major trading locations, and would be keen to see these listed on the GSH ahead of the Platform being launched.</p>
70.	<p>If you think locational swaps should be developed for market start:</p> <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? 	<p>See response to Question 69</p>
7.2	Standardised products	



	Questions	Feedback
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?	Yes – these appear reasonable
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?	Yes – Shell agrees with the proposed contract sizes.
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	Shell is reasonably comfortable with the proposed contract paths and we recognise the benefits it creates as pooling a greater number of buyers and seller. That being said, it creates deliverability risk for the secondary shipper. As such we suggest that this issue requires careful monitoring by AEMO and adjustments made to the paths (and zones as indicated in earlier questions) .
74.	Compression products: Do you agree with the proposed facilities on which this service would be available at market start?	Shell agrees with this product listing for the commencement of the Platform
75.	Park products: Do you agree with the proposed pipelines on which this service would be available?	Shell agrees with this product listing for the commencement of the Platform
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. 	To reduce the complexity of the platform and minimise the potentially unnecessary disclosure of confidential information, we support Option 1. We suggest this is reviewed after 12 months after the launch of the platform.
8.1.1 Partial or full anonymity		



	Questions	Feedback
77.	Do you agree that the fully anonymous option should be implemented? If not, please explain why.	Shell supports the fully anonymous approach. We do not see any value in the partial anonymous concept except for cost savings, which AEMO suggest are minimal. Not only does this address concerns over confidentiality, it is likely to increase longer-term the level of trading on the exchange. The partial option may also have unintended consequences by revealing sellers and buyers and inadvertently reduces search costs for future bilateral transactions (i.e. for future transactions parties may go directly to each other and avoid the platform and fees).
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.	Shell appreciates the pros and cons and while it does not have a firm view, supports Option 2 being taken forward at this point
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.	Netting out positions could potentially reduce shippers' ability to trade at interim shipping locations (e.g. where a shipper has purchased transport as two separate legs). This may ultimately reduce trading volumes. Non-netted is therefore preferred as it provides more flexibility.
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>	Shell considers there is significant benefit in providing this information to AEMO as it reduces the data interchanges between shippers and the pipelines.



	Questions	Feedback
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)?	See response above
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?	Shell does not have a view – this is primarily an issue for AEMO and the pipelines.
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?	Shell is in agreement with the obligation being on the Service Provider.
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?	For simplicity and to avoid duplicating costs, Shell supports only the service provider should be obliged to provide the confirmation.
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?	
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.	Shell is not registered at the STTM – as such is not in a position to comment
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?	Shell is not registered at the STTM– as such is not in a position to comment
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?	Shell is not registered at the DWGM – as such is not in a position to comment.



	Questions	Feedback
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.	Shell is not registered at the DWGM – as such is not in a position to comment
90.	To minimise implementation costs for industry, could standing or blank accreditation constraints be used?	Shell is not registered at the DWGM – as such is not in a position to comment
8.4 Timing of activities on D-1		
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?	These appear reasonable
92.	Do you think a uniform close of trading time should be adopted or different close of trading times?	Contrary to the GMRG we would prefer the closing time of the Platform to be linked to nomination time for each pipeline to allow shippers additional time to trade on the platform. This is consistent with the objectives of the platform to encourage trade ahead of the Day Ahead Auction being run. We do not consider this creates additional complexity for participants as they are already managing multiple nomination times across various pipes. Furthermore, this is only an interim issue as the gas day start and nomination cut-off times will be harmonised by 2021 at the latest and it is important liquidity is supported as much as possible in the early period of the market.
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?	11am is considered reasonable. While it would be beneficial to have the time extended to 12:30pm to cover the first NEM pre dispatch run, we cannot see practically how this would work. As a broader statement, Shell would prefer that nomination cut-off times are generally brought forward to enable the Day Ahead Auction to be run earlier in the day. However further industry consultation is necessary to determine an appropriate time.
9.1 Settlement process		



	Questions	Feedback
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 – we do not have any major concerns. It would seem sensible to combine the statements as long as separate information is listed for gas and transport products.
95.	Do you think any changes need to be made to the settlement process to accommodate capacity products?	No.
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.	Shell is highly supportive of this recommendation. We support the additional flexibility this will provide across all markets and it removes one less issue that participants need to address if considering registering for additional gas markets.
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?	It is unclear the reasoning why the collateral requirements would be different to the GSH. We do not view the level of risk materially different to the GSH and the only real justification applies to quarterly products (which are currently not listed on the GSH). At this point we suggest leaving it as 25 percent, however, it could be reduced based on the level of interest in quarterly trading.
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?	See response above.
10.1 Delivery default, pre-trade verification and short selling		
99.	Are there any other circumstances in which you think delivery default could occur?	Shell agrees with the list provided by the GMRG and considers this covers most circumstances.



	Questions	Feedback
100.	<p>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>	<p>At this point we don't think a register is necessary, which would add additional cost and complexity to the development of the Platform and risks its delivery in 2018/19. This is based on the following reasoning -</p> <p>While we consider there is a risk for short-selling, we consider this relative low at present. AEMO's registration process is reasonably robust to ensure the integrity of the parties participating and the market conduct rules are clear regarding not entering into trades that a party cannot fulfil. Furthermore, given the present policy climate around the East Coast Gas Market there will be considerable interest in the performance of the Platform from regulators such as the AER/ACCC and also policy makers. This creates indirect scrutiny of participant behaviour.</p> <p>That being said, we have the following 3 comments;</p> <ol style="list-style-type: none"> 1. We would expect the AER to undertake a post trade analysis to ensure that deliberate and systematic short-selling was not occurring. 2. If there is evidence over time, a registry could be introduced. 3 It would be helpful to understand if "short selling" is an issue in other markets and if registries have been introduced.
101.	<p>Do you think the market conduct rules will deter Trading Participants from engaging in short-selling?</p>	<p>See response above.</p>
<p>10.2 Default under primary GTA</p>		
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? 	<p>Yes we agree arrangements should be put in place to mitigate the risks for the secondary shippers, who have most likely entered into gas sales (i.e. this is why additional measures should apply to capacity relative to gas).</p> <p>In terms of the options to manage this, (and the relatively low likelihood) the arrangements should be structured in a way that provides the greatest level of certainty to impacted shippers (and manages the risks for pipelines). As such we support an amended version of option 2 - ,</p>



	Questions	Feedback
	<ul style="list-style-type: none"> Do you support options 2 and/or 3(a) or (b)? What other options are available? 	<ol style="list-style-type: none"> The trade remains on foot for a six week period (one month is probably too short to negotiate a new agreement with a pipeline) at the price specified under the trade. The purchase then has the first right of refusal to purchase the capacity from the pipeline at a prices specified under the operational GTA.
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)?	See response above?
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? 	See response to Question 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?	Yes this should be borne by all secondary shippers on a pro-rated basis.
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? 	Subject to the level of risk, Shells options that maintain keeping transactions on foot to the extent possible to increase certainty to participants and maintain the functioning of the market. As such, we support allowing the transaction to proceed as we agree the transfer gives the purchase “good title” and the risk falls to primary shipper defaulting on their GTA.



	Questions	Feedback
	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?	
	10.2.3 Short selling	
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?	<p>Shell does not consider immediately cancelling the trade is the most effective option to address a short-selling due to genuine errors. It is our preference that the trade remain on foot and the seller provided the opportunity to source the required capacity either through the Platform/Exchange or other means. That being said, a time constraint is necessary to ensure the issue is rectified. The time requirements should relate to how close the deal is to closing. "Within day" and "Day Ahead" should be 30 to 60 minutes where it is a number of days from the gas day the timeframe for rectification could be extended to 24 hours.</p> <p>We also consider the option of sellers entering into a "short position" firm contract with a pipeline to cover them in such a circumstance has merit, however, further examination is necessary to ensure this does not have any unintended consequences (e.g. it could reduce the volume primary capacity made available to other shippers).</p>
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?	Consistent with views expressed above – yes these affected parties should be curtailed on a pro-rata basis.
	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. 	Shell does not have any concerns with this requirement, however, we are keen to ensure the option of bare transfers are maintain if agreed by the transacting parties.



	Questions	Feedback
	<ul style="list-style-type: none"> ○ If so, do you think the proposal to include a provision in the NGR to require shippers to offer this option will work effectively? 	
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>Shell would be concerned if this requirement was introduced as it is likely to discourage transactions as parties may not be comfortable disclosing price and volume information which relate specifically to contract terms, which are not disclosed. Furthermore, as identified in the paper it would not allow for a bundled gas and transport product being offered bi-laterally.</p>
12 Governance and transitional arrangements		
112.	<p>Are there any other changes that you think will be required to the governance arrangements that have not been identified in Table 12.1?</p>	<p>Based on the comments outlined in Question 100, we consider the AER should undertake some post transaction analysis of short selling to determine if there are systemic problems and expect this will require changes to the AER's oversight requirements under the Rules.</p>
113.	<p>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?</p>	<p>We would expect a minimum of 6 weeks would be necessary.</p>
Other		
	<p>Do you have any other feedback?</p>	<p>Given the requirements around the platform will only become fully apparent once it is operation (e.g. the suite of products and contract paths), it is essential there are clear, timely and transparent channels to make adjustments to the arrangements.</p> <p>While the majority of the arrangements in the will be contained in the Exchange Agreement and there is a process and for making amendments, we recommend</p>



	Questions	Feedback
		<p>that this process become more formal reflecting elements of the AEMC Rule change process whereby:</p> <ol style="list-style-type: none">1. AEMO is required to put forward all formal amendment proposals put forward by stakeholder.2. Defined timeframes are introduced the process3. AEMO publishes the written submissions provided by parties. <p>We note the GSH Exchange Agreement amendment process has worked reasonable well to date, but with the product range extended substantially we now consider it appropriate to introduce a more formally defined process. While it is unlikely to be define in the Rules, a notification document could be issued by AEMO.</p>