



3 August 2018

Guidance Note: AEMO's role under the capacity trading reform package

1. Introduction

On 29 June 2018, the Council of Australian Governments (COAG) Energy Council (Energy Council) agreed to implement the legal and regulatory framework required to give effect to the final design of the capacity trading reform package. This legal and regulatory framework comprises:

- amendments to the National Gas Law (NGL), the regulations made under the NGL (Regulations) and the National Gas Rules (NGR); and
- the introduction of a new regulatory instrument, the Operational Transportation Service Code (Code).

Consistent with the approach that is usually employed when changes of this nature are made to the legal and regulatory framework, the final versions of the NGL, Regulations, NGR and Code will only be published once they are made, which is currently expected to occur in November 2018. To provide stakeholders with some guidance in the intervening period, the Gas Market Reform Group (GMRG) has published the following:¹

- **Information Paper: Capacity trading reform package legal and regulatory instruments** (Information Paper), which sets out the final design of the reform package and key dates for various obligations that the Australian Energy Market Operator (AEMO), the Australian Energy Regulator (AER), service providers and other market participants will be subject to; and
- **Guidance Note: AER's role under the capacity trading reform package** (AER Guidance Note), which provides further detail on the functions and powers that the AER will have under the reform package (including in relation to the exemptions framework and the classification of transitional firm services) and the matters to be dealt with in guidelines the AER is required to prepare.

The purpose of this Guidance Note is to provide an overview of the functions and powers that AEMO will have under the reform package and to provide further detail on:

- the matters to be dealt with in the Capacity Transfer and Auction Procedures (CT&A Procedures) that AEMO will be required to prepare;
- the registration framework for transaction support arrangements and the day-ahead auction that AEMO will be required to administer;
- the matters to be dealt with in the Bulletin Board Procedures (BB Procedures) that AEMO will be required to amend; and
- the capacity trading and day-ahead auction related costs that AEMO will be able to recover through participant fees, exchange fees and/or auction fees.

The publication of this Guidance Note is intended to assist market participants and AEMO with the market readiness activities that are expected to be carried out before or shortly after the final legal and regulatory instruments will be published. This Guidance Note should be read in conjunction with the Information Paper and AER Guidance Note.

¹ See <http://gmrg.coagenergycouncil.gov.au/publications>.



2. AEMO's functions and powers under the NGL and the NGR

Under the legal and regulatory framework that the Energy Council has agreed to implement, AEMO's existing functions and powers will be expanded to encompass the following areas:

- **Measures to facilitate capacity trading and the day-ahead auction:** AEMO will be responsible for:
 - establishing, operating and administering the transaction support arrangements that will facilitate transactions conducted through the capacity trading platform and the day-ahead auction;²
 - determining the zones and pipeline segments for each transportation facility that will be subject to the reforms and the service points between which backhaul auction services will be available on single direction pipelines (or parts thereof);
 - establishing, maintaining and administering the transportation service point register, which will set out the service points, zones and, where relevant, pipeline segments on each transportation facility that will be subject to the reforms;
 - establishing, chairing and providing secretariat services³ to the Code Panel; and
 - publishing on the Bulletin Board a range of capacity trading, day-ahead auction and other information that service providers and other market participants will be required to report.
- **Day-ahead auction:** AEMO will be responsible for:
 - establishing, operating and administering the day-ahead auction; and
 - making and administering auction agreements, which shippers will be required to enter into with AEMO to participate in the auction.
- **Registration for transaction support arrangements and the day-ahead auction:** AEMO will be responsible for establishing, maintaining and administering a register of non-exempt transportation facilities and their facility operators.
- **Procedures and other guidance material:**
 - AEMO will be responsible for making and amending the CT&A Procedures, which, in conjunction with the NGL and NGR, will govern the operation and administration of the auction and the transaction support arrangements;
 - AEMO may develop and publish a guide for service providers about the process and timing for registration and the functions of service providers and facility operators (i.e. the registered service provider for a non-exempt transportation facility) under the capacity trading reforms; and
 - AEMO will be responsible for publishing information about the transition of the facilitated gas markets to the standard market timetable.

AEMO will also have the power to recover the costs associated with establishing, operating and administering the day-ahead auction, the CT&A Procedures and a number of costs associated with the operation of the Code Panel.

² The transaction support arrangements, for example, provide for AEMO to notify service providers of trades conducted through the capacity trading platform and the auction and the exchange of other information to aid the transfer of capacity (e.g. the receipt and delivery point information).

³ In this capacity, AEMO will be responsible for developing and publishing the election procedures and operating manual for the Panel and maintaining a register of Code Panel members. AEMO will also be responsible for receiving any proposed amendments to the Code and determining in accordance with the NGR whether the amendment should be referred to the Panel for assessment or rejected because it is misconceived or lacking in substance.



The functions and powers set out above are in addition to the existing powers that AEMO has under the NGL and NGR to:

- operate and administer the gas trading exchange, which the capacity trading platform will form part of;
- operate and maintain the Bulletin Board, which will be used to report a range of capacity trading and auction related information; and
- make and amend a range of procedures and subordinate instruments that will be affected by the introduction of the capacity trading reforms, including the Bulletin Board, Short Term Trading Market (STTM), Declared Wholesale Gas Market (DWGM) and retail market procedures.

To enable AEMO to perform a number of these functions, service providers, shippers and other market participants will be required to provide to AEMO a range of information. For example:

- a person that has possession or control of information that relates to and is necessary for the operation and administration of the day-ahead auction (or AEMO's performance of any other auction functions) must provide that information to AEMO if required by the NGR or the procedures;⁴
- a person that has possession or control of information regarding secondary capacity transactions must provide that information to AEMO if required by the NGR; and
- a person that has possession or control of information regarding allocation arrangements must provide that information to AEMO if required by the NGR.

Further information on these reporting obligations can be found in the Information Paper.

A person that is subject to any of these reporting obligations will not be able to rely on a duty of confidence to avoid compliance and will be prohibited from providing information to AEMO that they know is false or misleading.⁵ A person that is subject to a reporting obligation will also be subject to the information standard set out in the NGR, which is similar to the standard that will apply to the Bulletin Board from 30 September 2018.⁶

3. Capacity Transfer and Auction Procedures

The CT&A Procedures are a statutory instrument directed at the effective operation and administration of the day-ahead auction and transaction support arrangements. The transaction support arrangements will facilitate transactions conducted through the capacity trading platform and auction.

An overview of the matters that may be dealt with in the CT&A Procedures is provided in Table 3.1.⁷ In this table, the term 'facility operator' is used to refer to the service provider⁸ that is registered to perform the obligations and exercise the rights of a facility operator under the transaction support arrangements and auction, which may differ from the service provider that is required to comply with other obligations under the reforms.

⁴ A person who provides AEMO with such information will have an immunity from civil monetary liability for an act or omission in preparing or giving that information, unless it is done or made in bad faith or through negligence.

⁵ The reporting obligation does not require a person to disclose information that is the subject of legal professional privilege or information that would incriminate the person or make the person liable to a criminal penalty under the law of an Australian jurisdiction.

⁶ See AEMC, Final rule determination: National Gas Amendment (Improvements to the Natural Gas Bulletin Board) Rule 2017, 26 September 2017, <https://www.aemc.gov.au/rule-changes/improvements-to-natural-gas-bulletin-board>.

⁷ The CT&A Procedures must also provide for any other matters necessary or convenient to deal with in the Procedures.

⁸ A transportation service provider is a person who owns, controls or operates a transportation facility.



Table 3.1: Matters to be dealt with in the CT&A Procedures

Subject matter for the CT&A Procedures		
Registration		
Registration for transaction support arrangements and the auction	<p>The Procedures must:</p> <ul style="list-style-type: none">▪ include the arrangements for AEMO to establish, maintain and publish the register of non-exempt transportation facilities and their facility operators (who will be responsible for performing the obligations and exercising the rights of a facility operator under the transaction support arrangements and day-ahead auction provisions in the NGR and Procedures); and▪ describe the content and form of applications for registration and revocation of registration and AEMO's obligations to confirm the registration details. <p>The Procedures may also specify any additional information to be included in the register (i.e. in addition to the name and contact details for each facility operator, a description of the facility and the operator and a list of pending applications for registration).</p>	
Measures to facilitate capacity trades and the auction		
Transaction support arrangements	<p>The Procedures must set out the arrangements for AEMO to notify a facility operator of transactions entered into on the capacity trading platform or through the auction and any exceptions to the obligation to give effect to those transactions. The Procedures will also set out the obligations facility operators will have in relation to the transaction support arrangements, including arrangements for:</p> <ul style="list-style-type: none">▪ access to and use of the systems established by AEMO;▪ the validation of transactions, including the timing, the criteria for validation and rejection of transactions that fail validation; and▪ the information required and processes to be followed to give effect to transactions entered into on the capacity trading platform or through the auction. <p>The Procedures may set out contingency arrangements for events affecting the transaction support arrangements, the capacity trading platform or auction, including the failure of systems or processes and/or the default in the performance of obligations under the Procedures or other instruments.</p> <p>The Procedures may include the arrangements for facility operators to provide to AEMO, and keep up to date, information about facility agreements to allow for the accurate identification of those agreements for the purposes of the transaction support arrangements.</p>	
Service points, zones and pipeline segments	Service point specifications and park service points	<p>The Procedures must include:</p> <ul style="list-style-type: none">▪ the form in which a facility operator is to provide to AEMO a specification of each service point at or between which transportation services are or may be provided and each park service point; and▪ arrangements for a facility operator to amend the specification of a service point or a park service point.
	Zones and pipeline segments	<p>The Procedures must set out the arrangements for AEMO to consult on and determine the proposed allocation of service points to zones and the specification of pipeline segments. These arrangements must include provisions with respect to:</p> <ul style="list-style-type: none">▪ proposals to be made by a facility operator or any other person (including AEMO) for a determination;▪ the provision of information by facility operators in connection with the determination;▪ the time frame and process for AEMO to consult, which may allow for extensions of time in reasonable circumstances and an expedited process where the matter is of a minor or administrative nature;▪ AEMO's ability to reject a change proposal without consultation including where in its reasonable opinion the proposal is for a change that was proposed but rejected in the last 12 months, or is misconceived or lacking in substance;▪ the information to be published through the consultation process, including information relating to possible curtailment of capacity released for transfer from one service point in a zone for use at another service point in the zone;▪ arrangements to deal with confidential or commercially sensitive information provided to AEMO in connection with a determination; and▪ the time at which a determination takes effect and the matters to be taken into account for that purpose, including the impact on transactions occurring before the determination is made and impacts on the capacity trading platform.



Subject matter for the CT&A Procedures		
		The Procedures must also set out the arrangements for a facility operator to: <ul style="list-style-type: none">▪ provide the information reasonably required by AEMO to analyse and assess a proposed zone or pipeline segment; and▪ undertake modelling or other analysis and provide the results to AEMO, together with information reasonably required by AEMO to analyse the model and the results.
	Register	The Procedures must provide more detail about the form and content of the transportation service point register to be maintained by AEMO.
	Curtailment within zones	The Procedures must set out the arrangements for a facility operator to provide to AEMO, and for AEMO to publish, information relating to the curtailment of capacity released for transfer from one service point in a zone when nominated for use at another service point in the zone.
DWGM and STTM interfaces	The Procedures must set out the arrangements for notification to AEMO and confirmation, approval or acceptance by AEMO or any other person of: <ul style="list-style-type: none">▪ a sale of capacity at a DWGM interface point through the auction or capacity trading platform; or▪ a sale of capacity at an STTM interface point through the capacity trading platform.	
Service continuity if primary facility agreement terminated	The Procedures must: <ul style="list-style-type: none">▪ include the arrangements for a service provider to notify AEMO if a primary facility agreement terminates and may also provide for AEMO to verify the accuracy of information provided to it; and▪ set out the method to determine the amount to be paid to the service provider for the use of the capacity during the service continuity period, which must be determined by reference to the price or prices at which the terminated seller sold the capacity.	
Operation of the Day-Ahead Auction		
Auction design	The day-ahead auction must to be established and operated by AEMO in accordance with the principles set out in the NGR, which the CT&A Procedures must give effect to. The key design principles are as follows: <ul style="list-style-type: none">▪ the auction must be conducted on a day-ahead basis;▪ participants will be able to use the auction to procure forward haul auction services (with separate products offered in both directions on bi-directional⁹ pipelines), backhaul auction services on those single direction pipelines (or parts of pipelines) that AEMO specifies should be included in the auction and compression services provided by the stand-alone compression facilities subject to the auction;▪ the auction must be held for each auction facility and each auction service;▪ the auction must take place on a single round sealed bid basis and have a reserve price of zero; and▪ the capacity allocated through the auction must not exceed the auction quantity limits applicable to the auction facility for that auction service and gas day, and in the case of a bidirectional pipeline, must not change the scheduled direction of flow for that gas day. The Procedures must set out the specification of auction products or the manner in which that is determined.	
	Bidding	The Procedures must provide for: <ul style="list-style-type: none">▪ each auction participant to specify in its bid the combination of auction products that its bid relates to;▪ the submission of separate bids for different combinations of auction products; and▪ each bid to comprise a single bid quantity (in GJ) and a single bid price (in \$/GJ and expressed to the number of decimal places provided for in the Procedures) for the combination of auction products specified in the bid.

⁹ A pipeline will be classified as bi-directional if at any time the direction of the physical flow of gas on the pipeline (or part) is capable of being reversed under normal operating conditions and transportation facility users have transportation capacity for firm forward haul services in both directions (with a service time that includes that time).



Subject matter for the CT&A Procedures

Allocation of capacity	<p>The Procedures must provide for:</p> <ul style="list-style-type: none"> all winning bids to be determined simultaneously and for an auction participant to win none, one or more of its bids; the winning bids to be the combination of one or more bids that maximise the total auction revenues at bid prices and allocates to each winning auction participant the same quantity of capacity for all auction products in the combination specified in its winning bid; the quantity of capacity allocated to a particular winning bid to be any quantity between zero and the bid quantity; a random selection method to be used to determine the winning allocation if there is more than one combination of winning bids; and the lowest priced bid accepted for any particular auction product to be partially filled if necessary.
Clearing prices	<p>The Procedures must provide for:</p> <ul style="list-style-type: none"> the auction to operate on a pay as cleared basis with all winners of a particular auction product to pay the same clearing price (per GJ) for that auction product and the clearing price to be determined jointly such that the lowest accepted bid sets the clearing price; any auction product for which capacity remains partially unsold in the auction for a gas day to have a clearing price of \$0 for that gas day; and the clearing price determined for each auction product to satisfy the following conditions: <ul style="list-style-type: none"> for any winning bid that is allocated a quantity of capacity equal to its bid quantity, the sum of clearing prices of all auction products included in that bid must not exceed the bid price in that bid; for any winning bid that is allocated a quantity of capacity greater than zero but less than the bid quantity, the sum of clearing prices of all auction products included in that bid must be equal to the bid price; and for any bid that is not allocated any capacity, the sum of the clearing prices of all auction products included in that bid must be no lower than the bid price of that bid.
Payments by winning bidders	<p>The Procedures must provide for:</p> <ul style="list-style-type: none"> the auction participant to pay an amount for each auction product allocated to the auction participant in the auction by reference to the auction Maximum Daily Quantity (MDQ) allocated to the auction participant and the clearing price for the auction product; if the auction MDQ for an auction product allocated to an auction participant is curtailed, the amount payable by the auction participant for the curtailed auction MDQ and the auction MDQ for the other auction products that formed part of the relevant winning bid to be determined by reference to the curtailed auction MDQ and the auction participant's nominations or renominations for use of auction MDQ; and the payment of GST by winning bidders.
Payments to facility operators	<p>The Procedures must provide for the proceeds of the auction for a gas day (excluding taxes and subject to the maximum total payment provisions) to be paid to the auction facility operators for which capacity was sold in the auction for that gas day.</p>
Auction errors	<p>The Procedures may require auction results to be treated as final and not subject to review or the payment of compensation for error.</p>
Delay, cancellation and suspension of the auction	<p>The Procedures must specify the circumstances in which AEMO may:</p> <ul style="list-style-type: none"> delay or cancel the auction; or suspend the participation of an auction facility. <p>The Procedures may allow the standard nomination cut-off time or the auction service nomination cut-off time for a gas day to be extended where there is an unforeseen event such as a system failure.</p>



Subject matter for the CT&A Procedures

Auction quantity limits	<p>The Procedures must:</p> <ul style="list-style-type: none"> ▪ set out the arrangements for facility operators to determine, update and provide to AEMO for each gas day the auction quantity limits; and ▪ set out the methodology for the calculation of auction quantity limits in accordance with the principles in the NGR (see rows below). <p>The Procedures may provide for:</p> <ul style="list-style-type: none"> ▪ arrangements for AEMO and a facility operator to agree or have determined the allocation of reserved capacity to an auction facility, service point or pipeline segment for the purposes of determining auction quantity limits; and ▪ circumstances in which a facility operator may include additional quantities of capacity as contracted capacity when calculating auction quantity limits.
Pipeline forward haul auction quantity limits	<p>The Procedures must provide for the following auction quantity limits to be determined for each gas day on each pipeline subject to the auction:</p> <ul style="list-style-type: none"> ▪ unused capacity, which is to be determined for each pipeline service point and is a measure of the physical capacity¹⁰ remaining at the pipeline service point after deducting the scheduled priority flow¹¹ for the point for the gas day; ▪ pipeline zone forward haul limit, which is to be determined for each pipeline zone and is a measure of the total contracted capacity¹² remaining at pipeline service points in the zone after deducting the scheduled priority flow for the relevant service point for the gas day; and ▪ forward haul pipeline segment limit, which is to be determined for each forward haul pipeline segment and is a measure of the contracted capacity for the forward haul pipeline segment remaining after deducting the scheduled priority flow for the pipeline segment for the gas day. <p>When calculating the pipeline zone forward haul limit, the contracted capacity at each pipeline service point is to be capped by reference to the operational capacity of the pipeline service point and the forward haul pipeline segment limit will also be capped by reference to the operational capacity of the segment. The term 'operational capacity' is used to refer to the quantity of gas that may be transported, injected, withdrawn or compressed, as applicable, and the Procedures must provide for operational capacity to be determined by the facility operator in accordance with accepted good industry practice.</p> <p>For a pipeline (or part) that is bi-directional, the auction quantity limits for a gas day may be determined separately for each direction.</p>
Compression facility auction quantity limits	<p>The Procedures must provide for the following auction quantity limits to be determined for each gas day on each compression facility subject to the auction:</p> <ul style="list-style-type: none"> ▪ compression point unused capacity, which is to be determined for each compression service point and is a measure of the physical capacity remaining at the compression service point after deducting the scheduled priority flow at the point for the gas day; ▪ compression zone limit, which is to be determined for each of compression zone and is a measure of the total contracted capacity remaining at compression service points in the zone after deducting the scheduled priority flow for the relevant compression service point for the gas day; and ▪ compression facility limit, which is to be determined for the compression service facility and is a measure of the contracted capacity for the compression service facility remaining after deducting the scheduled priority flow for the facility for the gas day. <p>When calculating the compression zone limit, the contracted capacity at each compression service point is to be capped by reference to the operational capacity of the compression service point and the compression facility limit will be capped by reference to the operational capacity of the facility.</p>

¹⁰ The physical capacity on a day is the lesser of nameplate rating and operational capacity on the day.

¹¹ The term 'scheduled priority flow' refers to the quantity scheduled for firm services.

¹² The term 'contracted capacity' refers to capacity reserved for firm services.



Subject matter for the CT&A Procedures		
	Pipeline backhaul auction quantity limits	The Procedures must provide for the auction quantity limit for pipelines for which auction backhaul services are offered in the auction to be a measure of the maximum quantity of backhaul service it is feasible to provide on the pipeline on the gas day, where applicable limited by the quantity of the scheduled net priority forward haul flow ¹³ on the gas day.
Auction Agreement and conditions of participation in the auction	Auction Agreement	<p>The Procedures must include the standard form Auction Agreement and the eligibility criteria for entering into Auction Agreements. The standard form Auction Agreement must set out:</p> <ul style="list-style-type: none"> provisions under which the auction participant agrees to comply with and be bound by the Procedures or specified provisions in the Procedures; a requirement to provide payment security including the form and amount of acceptable security and the circumstances in which AEMO may call on security provided; procedures and timing requirements for the payment and settlement of auction amounts payable by auction participants; obligations of AEMO and the auction participant to maintain the security and integrity of the auction platform; the process for the suspension or limitation of access to the auction by an auction participant; the events or circumstances that are default events or suspension events in respect of an auction participant and the steps AEMO may take in respect of any such event; the process for termination of an Auction Agreement; and the incorporation into auction agreements of amendments to the standard form of Auction Agreement in the Procedures. <p>The standard form Auction Agreement must also provide that where an auction participant is also a gas trading exchange member:</p> <ul style="list-style-type: none"> payment and settlement of auction amounts and amounts owed in relation to the gas trading exchange in respect of the auction participant to be undertaken as a single process; AEMO will calculate net settlement amounts payable by or to the auction participant taking into account auction amounts and amounts owed in relation to the gas trading exchange in respect of that auction participant; and close out will occur under the auction agreement if the auction participant is subject to close out under the exchange agreement.
	Conditions of participation	<p>The Procedures may specify conditions for participation in the auction from time to time (including during the course of bidding), which may include provisions precluding participation by:</p> <ul style="list-style-type: none"> a person in relation to whom a default event or a suspension event (as provided for in the auction agreement) has occurred; a person who has failed to provide sufficient payment security; and a person who has previously defaulted on payment obligations under an auction agreement.
	Suspension of access	<p>The Procedures or Auction Agreement may provide for AEMO to suspend or limit an auction participant's access to the auction including where:</p> <ul style="list-style-type: none"> the auction participant ceases to satisfy the applicable criteria for participation in the auction; or a suspension event, as described in the auction agreement, occurs in relation to the auction participant.
	Default events	The Procedures or the Auction Agreement may define the default events, the occurrence of which may give AEMO the right to terminate the auction participant's auction agreement.
Information to be published	The Procedures must:	

¹³ The term 'scheduled net priority forward haul flow' refers to the actual flow of gas taking into account both firm forward haul and firm backhaul scheduled quantities.



Subject matter for the CT&A Procedures	
	<ul style="list-style-type: none"> include a description of the auction related information to be published by AEMO before and after the auction is held each day; and specify the time at which facility operators are to provide AEMO with any data or information (including updated data or information).¹⁴ <p>The Procedures may provide for access to information published by AEMO in relation to the auction to be restricted, where necessary to protect against directly or indirectly disclosing a nomination in respect of a market generating unit.</p>
Interactions with facility operators	<p>The Procedures must set out:</p> <ul style="list-style-type: none"> the arrangements for AEMO to notify the results of the auction to facility operators; the arrangements for facility operators to validate and confirm receipt of auction results and any circumstances (in addition to those in the NGR) in which a facility operator is not required to give effect to auction results; and the information that facility operators must provide to AEMO about whether any transportation services are classified as a 'transitional firm service' and the arrangements for a facility operator to provide AEMO with information on the transitional firm quantities used in the calculation of the auction quantity limits for the gas day (aggregated by service point) and the service points to which the quantity relates.
Billing and settlement	<p>The Procedures must set out:</p> <ul style="list-style-type: none"> the arrangements for managing billing and settlement of auction amounts payable by or to auction participants and how AEMO is to calculate the settlement amount for an auction participant; the information that facility operators must provide to AEMO for auction settlement (including information about nominations, scheduling and curtailment) and must include arrangements for facility operators to provide the information and revisions to the information; and the arrangements for managing billing and settlement of auction amounts payable by or to facility operators and the settlement calculations for the allocation of auction revenues to facility operators. <p>The Procedures must also specify a methodology for determining:</p> <ul style="list-style-type: none"> the maximum total payment in respect of a period to facility operators in relation to the auction or under the service continuity obligations in the NGR, or a party to the Exchange Agreement or an auction agreement; the reduction to be applied to any of those payments if there is a shortfall between the maximum total payment in respect of a period and the amount that has been paid to AEMO, or which AEMO is able to recover under credit support in respect of the period under the Exchange Agreement or an auction agreement; and the amount to be paid to a person whose payment has been reduced, where AEMO subsequently receives payment in respect of a shortfall amount. <p>The Procedures may specify the arrangements to be complied with and information to be provided to AEMO by an auction participant or facility operator if a party to a facility agreement under which the auction service is provided is not the auction participant or facility operator.</p>
Transitional provisions for the capacity trading reform package	
Reporting by compression service facility operators	<p>Non-exempt compression facility operators subject to the capacity trading reforms will be required to publish a range of information from 1 February 2019 (i.e. nameplate rating, detailed facility information, a 12 month outlook of uncontracted primary capacity, a short-term capacity outlook, a linepack capacity adequacy (LCA) flag, nominated and forecast use of the facility and daily production data). The Procedures will play a similar role to the BB Procedures and may include detail on:</p> <ul style="list-style-type: none"> the information to be provided; the timeframes for the provision of information to AEMO; the obligations to update information; and the circumstances in which a compression facility operator may be exempt from an obligation to provide information and the default value to be used in place of the relevant item of information. <p>The Procedures must specify the meaning of a green, amber or red flag for the purposes of the definition of LCA flag.</p>

¹⁴ AEMO is not required to verify the accuracy of information provided to it for the purposes of performing its auction functions, except as expressly provided in the NGR or Procedures.



AEMO will be required to publish the initial CT&A Procedures by 1 December 2018, or if the amendments to the NGL are made after this date, 20 business days after the amendments commence.¹⁵

The GMRG understands that AEMO intends to consult on the CT&A Procedures in August-September 2018.

4. Registration for transaction support arrangements and auction

Service providers of non-exempt¹⁶ transportation facilities will be required to be registered to perform the obligations and exercise the rights of a facility operator under the transaction support arrangements and day-ahead auction provisions in the NGR and CT&A Procedures. Service providers will be required to apply to AEMO to:

- register the transportation facility; and
- register as the facility operator for that transportation facility.

Where there are multiple service providers for a non-exempt transportation facility, each service provider will be taken to be a member of a transportation service provider group. The members of this group must appoint (in writing) one of their members as the 'responsible transportation service provider', which means that they will be responsible for carrying out the obligations and exercising the rights of a facility operator under the transaction support arrangements and the day-ahead auction in the NGR and CT&A Procedures (see Box 4.1 for more detail). The responsible transportation service provider must apply to AEMO to:

- register the transportation facility; and
- register as the facility operator for that transportation facility.

An application to register must be made no later than 20 business days after the person becomes a service provider for a non-exempt transportation facility.¹⁷ The application¹⁸ must be in the form and contain the information specified in the CT&A Procedures and must also contain a description of the transportation facility and, unless the information is already provided under Part 18 of the NGR, the facility's nameplate rating. If the application is being made by a responsible transportation service provider on behalf of a

¹⁵ Consultation undertaken by AEMO in relation to proposed CT&A Procedures before the reforms commence will be taken to satisfy the NGR requirements, if and to the extent that publication and consultation would have satisfied those requirements if it had been conducted after the reforms had commenced.

¹⁶ Exemptions from all aspects of the capacity trading reform package (excluding the secondary capacity reporting framework) will be:

- automatically available to distribution pipelines, transportation facilities forming part of the Declared Transmission System and compression facilities that are not designated in the Regulations or are not stand-alone facilities; and
- available on application to the AER, to transportation facilities that are not providing third party access.

Further detail on the exemptions framework, including on conditional and transitional exemptions, can be found in the Information Paper and AER Guidance Note.

¹⁷ A person that owns, controls or operates a transportation facility that was commissioned on or before the reforms commence will become a service provider 20 business days after the amendments to the NGR commence.

¹⁸ An application may be made:

- by a person who intends to become a service provider or a responsible transportation service provider;
- in respect of a proposed transportation facility; or
- by a person intending to register with AEMO as a facility operator for a non-exempt transportation facility.



service provider group, then the application must also contain information about the service provider group specified in the CT&A Procedures.

Within 10 business days of receiving an application, AEMO may ask the applicant to provide further information or clarification, which the applicant must respond to within 10 business days.¹⁹ If any of the information provided to AEMO in the original application or in response to a request by AEMO changes or otherwise becomes inaccurate, then the facility operator must update the information as soon as practicable.

If the application is made in accordance with the NGR, then AEMO must register the applicant as the facility operator and must also register the transportation facility.²⁰ It is worth noting in this context that:

- AEMO may register a pipeline that is the subject of multiple pipeline licences as a single transportation facility and may require the registration applications to be consolidated for that purpose; and
- AEMO may, on the application of a facility operator:²¹
 - register the transportation facility, together with one or more other facilities in respect of which an application is made, as a single transportation facility; or
 - register a part (or parts) of a transportation facility as a separate transportation facility.

Before doing so, AEMO must be reasonably satisfied, having regard to the information provided by the facility operator and any other matter it considers appropriate, that such registration is not likely to hinder access to one or more operational transportation services.

It is also worth noting that:

- If the identity of the service provider or responsible transportation service provider changes, the outgoing facility operator must notify AEMO of the change and the new service provider must apply to register as the facility operator. The notification and registration application must be made no later than five business days after the change takes effect.
- If a facility operator and/or a transportation facility is no longer required to be registered, the facility operator must apply to AEMO to revoke the registration. The application must be in the form specified in the CT&A Procedures and contain the information specified by AEMO.

¹⁹ If the information is not provided in that period, the application will be taken to have been made when the further information or clarification is provided to AEMO's satisfaction.

²⁰ If an application is made by an intending service provider, intending facility operator or in respect of a proposed facility, the registration takes effect at the time determined by AEMO.

²¹ This can also occur if a facility is already registered.



Box 4.1: Effect of appointing a responsible transportation service provider

If a service provider is appointed by a transportation service provider group as the 'responsible transportation service provider', then the members of the transportation service provider group will be taken to have authorised the responsible transportation service provider to perform the obligations and exercise the rights of a facility operator under the transaction support arrangements and day-ahead auction provisions in the NGR and the CT&A Procedures (including any right to receive payment from AEMO).

Once the responsible transportation service provider is registered as the facility operator, then for so long as it remains registered:

- AEMO may fulfil its obligations under the relevant parts of the NGR and CT&A Procedures (including any obligation to make a payment), by performing those obligations in relation to the facility operator;
- all the other members of the transportation service provider group will be exempt from the requirement to register the transportation facility and to register themselves as the facility operator;
- all the members of the transportation service provider group must procure and where necessary facilitate the compliance of the responsible transportation service provider with its obligations under the NGR and CT&A Procedures as the facility operator; and
- the responsible transportation service provider must procure and where necessary facilitate the compliance of all the other members of the service provider group with the service provider's obligations under the NGR and CT&A Procedures.

While the responsible transportation service provider will be required to perform the obligations and exercise the rights of a facility operator under the NGR and CT&A Procedures, another service provider may be responsible for some of the other obligations in the NGR. For example, another service provider may be responsible for publishing and offering to enter into a standard OTSA, amending existing facility agreements in response to a request by a shipper or carrying out other functions in the NGR or CT&A Procedures that are not related to the capacity trading platform or day-ahead auction.

5. Bulletin Board Procedures

The capacity trading reform package provides for a range of transparency measures, including:

- A reporting framework for secondary capacity trades, which will require a range of capacity transaction information²² to be reported on the Bulletin Board for all exchange-based and bilateral trades involving forward haul, backhaul, park, loan or compression services. Trades carried out through the exchange will be reported by AEMO, while bilateral trades will be reported by the seller, or a registered capacity transaction reporting agent, if appointed by the seller.
- A number of other Bulletin Board reporting obligations that are designed to facilitate capacity trading and the day-ahead auction, including:

²² The capacity transaction information includes: the identity of the trading parties and who the seller is; the trade date and service term; the transportation facility that the trade relates to; the type of service purchased and the priority of the service (e.g. firm, as available, interruptible); the type of trade and for bilateral trades, whether the trade is on the same or substantially the same terms as those in the facility's standard OTSA; where relevant, the direction of the service and the points between which gas is transported; the amount of capacity procured (maximum daily quantity (MDQ)) and for bilateral trades the maximum hourly quantity (MHQ); and the price paid (including, where relevant, the price structure and price escalation mechanism).



- a requirement for allocation agents to provide AEMO with their contact details and a description of the allocation methodology used at allocation points and the process for joining and leaving the allocation agreement (including any charges payable) for publication on the Bulletin Board;²³
- a requirement for transmission pipeline service providers that are already subject to Bulletin Board reporting obligations to provide AEMO with information on the nameplate rating of each receipt and delivery point for publication on the Bulletin Board; and
- a requirement for service providers operating remote transportation facilities that are unable to obtain an exemption from the capacity trading reforms to comply with the Bulletin Board reporting obligations for that type of facility.

Further detail on these reporting obligations can be found in the Information Paper.

To provide those parties that will be subject to these reporting requirements with greater clarity about their obligations, the BB Procedures will be amended to:

- identify those items of capacity transaction information that can be reported as a reasonable estimate or approximation, where the provision of the information is not otherwise practicable given the nature or terms of the transaction;
- specify whether the capacity transaction information must include information on the service points between which transportation services are provided;
- set out the registration process for capacity transaction reporting agents and the notification process to be followed by sellers that want to appoint an agent to report secondary capacity trades on their behalf; and
- provide further detail on the information to be reported by allocation agents about the allocation methodology, the process for joining allocation arrangements and the charges payable.

The BB Procedures will also set out the timeframes for the provision of information to AEMO and the obligations that parties will have to update information (e.g. if the information changes).

The GMRG understands that AEMO intends to consult on the amendments to the BB Procedures in October-November 2018.

6. Recovery of AEMO's costs

As noted in section 2, AEMO will be able to recover the following capacity trading and auction related costs:

- the costs of establishing, operating and administering the day-ahead auction;
- the costs of establishing, operating and administering the CT&A Procedures; and
- the costs of establishing and operating the Code Panel (including the cost of retaining specialist advisors), the costs associated with AEMO's participation in the Code Panel

²³ This obligation will be limited to allocation agents that operate at points through which gas is injected into or withdrawn from a transportation facility that is subject to the capacity trading reforms and system injection and system withdrawal points in the DTS for which an allocation agent is appointed under Part 19 of the NGR, excluding, in each case, a point at which the allocation of deliveries and receipts of natural gas is determined under the retail market procedures.



and the operational costs associated with any service provided by AEMO to facilitate the functioning of the Code Panel.

AEMO will have the discretion under the NGR to determine from time to time, what portion of the costs are to be recovered through:

- **exchange fees**, which are the fees payable by gas trading exchange members (including users of the capacity trading platform);
- **auction fees**, which are the fees payable by auction participants; and/or
- **participant fees**, which are the fees payable by persons registered with AEMO to participate in the DWGM, STTM and regulated retail gas markets (Registered participants).²⁴

AEMO will, however, be required to consult with gas trading exchange members, auction participants and Registered Participants on the introduction, determination and structure of these fees, which must be sufficient to recover AEMO's budgeted expenditure on the capacity trading and auction costs. In determining the structure of fees and recovery of costs, AEMO must have regard to the National Gas Objective and the following principles:

- The fee structure should be simple and should not discriminate unreasonably against a category or categories of participants.
- If there is a shortfall in revenue as against expenditure in a financial year then the shortfall may be recovered in a later year(s) and vice versa. AEMO may also take any other action it considers desirable to smooth the impact of actual or anticipated cost variations on participants.
- Capital expenditure should to be recovered through the depreciation or amortisation of the assets in a manner that is consistent with generally accepted accounting principles.

The GMRG understands that AEMO intends to consult on exchange fees, auction fees and participant fees in late 2018.

²⁴ Participant fees may include a component of the capacity trading and auction costs even if the registered participant does not use the capacity trading platform or auction.