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Gas Market Reform Group
c/o Australian Energy Market Commission
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**GMRG CONSULTATION PAPER
OPERATION AND ADMINISTRATION OF THE CAPACITY TRADING PLATFORM(S) AND
DAY-AHEAD AUCTION**

Central is pleased to have an opportunity to comment on GMRG's Operation and Administration of the Capacity Trading Platform(s) and Day-Ahead Auction Consultation Paper. In providing its recommendations, Central is specifically cognisant of the following critical design considerations:

- 1) Ease of use (low search and execution complexity)
- 2) Combinatorial outcome
- 3) Minimising conflicts of interest and potential "gaming"
- 4) Best positioned to promote the liquidity and evolution of capacity trading / day-ahead auction.

With respect to the Capacity Trading platform, Central advocates the following:

- 1) A single capacity trading platform is strongly supported. The primary benefits are as outlined by the AEMC.
- 2) The single capacity trading platform should be operated by AEMO. The primary benefits are as outlined by the AEMC.
- 3) Central sees benefits in both options for anonymity, however, on balance would prefer the partially anonymous option.

With respect to the Day-Ahead Auction platform, Central advocates the following:

- 1) A single capacity trading platform is strongly supported. The primary benefits are as outlined by the AEMC, but critically include the need to support a combinatorial outcome for auctioned capacity. This is needed to increase liquidity within the auction and to ensure the efficiencies associated with auctioned capacity are maximised.
- 2) The single day-ahead auction platform should be operated by AEMO. The primary benefits are as outlined by the AEMC, however, it is also important to note that the vision for day-ahead auction appears materially different as between AEMO and the pipeline owners. AEMO is clearly best placed to promote the liquidity and evolution of the day-ahead auction. In addition, as the day-ahead auction product could compete with potentially significantly higher priced "as-available" services, an AEMO operated auction would effectively limit these obvious conflicts of interest and gaming opportunities.
- 3) Notwithstanding the above, Central notes that other design aspects of the day-ahead auction remain under consideration and that these may impact who is best placed to operate the day-ahead auction platform. Specifically, the "firmness" or curtailment regime of the day-ahead

auction product is of significant importance to the ultimate liquidity and efficiencies gained by the market through the auction. If combining the day-ahead auction with initial pipeline scheduling (e.g. 4:00pm firm nomination deadline) yields a significant benefit to the firmness of the auctioned product, it may justify consideration of alternative operating arrangements.

Please feel free to contact me should you have any questions in relation to the above.

Regards,

A handwritten signature in black ink that reads "Leon Devaney". The signature is written in a cursive, flowing style.

Leon Devaney

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