



8 June 2017

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

Submitted via email: gas@environment.gov.au

Dear Dr Vertigan

Operation and Administration of the Capacity Trading Platform(s) and Day-Ahead Auction – Consultation Paper

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Gas Market Reform Group's (GMRG) Consultation Paper on the Operation and Administration of the Capacity Trading Platform(s) and Day-Ahead Auction.

Origin is supportive of the Australian Energy Market Operator's (AEMO) proposal to operate and administer a single capacity trading platform and day-ahead auction respectively. This approach is consistent with the Australian Energy Market Commission's (AEMC) preference for a coordinated approach to capacity trading and harmonisation of trading arrangements across the east coast. This is also more likely to facilitate secondary trading of pipeline capacity relative to the alternative option (i.e. separate trading/auction platforms across individual pipelines), which is the overarching objective of the reform.

AEMO's proposal involves the development of a single capacity trading platform that would form part of the Gas Supply Hub and a centralised auction platform integrated into the existing Electricity Market Management System (EMMS) web portal that shippers can use to purchase capacity on a day-ahead basis. As noted in the Consultation Paper, AEMO's proposal may impose additional data exchange and validation requirements on pipeline operators relative to an option where each pipeline creates their own trading/auction platforms. But it also offers a range of additional benefits, as noted below.

- The platforms would be operated by an independent entity with no commercial interest in trading outcomes. This would remove the potential for any conflicts of interest that could potentially arise between shippers and pipeline operators selling spare capacity.
- The platforms would largely utilise existing trading rules and settlement frameworks, all of which are already well understood. Market participants would also be subject to only one set of prudential arrangements and could therefore apportion collateral between gas purchases and capacity trades accordingly.
- Market participants would only need to utilise one auction platform for either secondary capacity trades or the day-ahead auction. Relative to the decentralised model, this would improve the ability for market participants to coordinate gas supply and pipeline capacity requirements across multiple pipelines/hubs.

Origin believes the benefits described above will outweigh any additional costs associated with AEMO's proposal and ultimately increase the likelihood of achieving the desired objective. With regard to the implementation options for the secondary trading platform, Origin is supportive of ensuring trades conducted through the platform are fully anonymous, with AEMO advising the pipeline operator of any trade and the pipeline operator confirming the trade with each counterparty separately. This will ensure trades conducted through the platform ahead of time cannot be used to infer market participants' respective positions in the electricity market. Origin also does not believe the additional costs associated with implementing the 'fully anonymous' model are material.

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

Yours Sincerely,



Steve Reid
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