



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.

1. Explanatory note questions

	Questions	Feedback
3.4 Questions on the overall legal and regulatory framework		
1.	Do you believe the proposed amendments to the NGL, Regulations and NGR implement the design of the capacity trading reforms effectively? If not, why not?	
2.	Do the market bodies have adequate powers to do what they need to do to facilitate the outcomes sought by the reforms?	
3.	Do you agree with the GMRG's recommendation with regard to which rules are classified as civil penalty and/or conduct provisions (see Appendix A)? If not, why?	
4.	Are there any changes to the NGL, Regulations or NGR that you consider are necessary to ensure parties are unable to game or undermine the intended objective of the reform package?	
5.	Are any other transitional rules not currently included in Schedule 5 required? If so, what are they and why are they required?	
4.1.1 Exemptions		
6.	Having regard to the objectives of the capacity trading reforms and the Energy Council's approval of the GMRG's recommendation on coverage of the auction, do you agree with the proposal to: <ul style="list-style-type: none"> ▪ Apply the same exemption criteria to the obligation to publish a standard operational agreement and the auction? If not, why? 	ERM supports the proposals.



	Questions	Feedback
	<ul style="list-style-type: none"> Replace the single end-user facility criterion, with a single shipper criterion? If not, why? 	
7.	<p>Do you think the following definition of 'Part 24 compression service facility' will achieve the objective of capturing stand-alone compressors, such as the Moomba, Ballera, Wallumbilla and Iona compression facilities, but excluding other compression facilities (e.g. compression facilities that form part of the pipeline that are used to provide an integrated service and upstream compression facilities? If not, please explain what amendments you think need to be made to this definition.</p> <p>Part 24 compression service facility means a compression service facility that is or may be used to transport natural gas between a transmission pipeline operating at lower pressure and a transmission pipeline operating at higher pressure in order to facilitate the flow of natural gas between two or more receipt or delivery points where the receipt or delivery points are located on different transmission pipelines</p>	
8.	Do you agree with the proposal to allow facilities with a nameplate rating less than 10 TJ/day and single shipper facilities, up to 60 business days to develop and offer a standard operational agreement? If not, why?	Sounds reasonable.
9.	Do you agree with the proposal to allow a single shipper exemption to be revoked if another shipper enters into an operational TSA with the service provider? If not, please explain why.	Agreed.
4.1.2 Governance model for the Code		
10.	Do you agree with the proposal to allow the AER to play a more proactive role in overseeing modifications to the Code? If not, please explain why.	Agreed.
11.	Do you agree with the proposed composition of the OTS Code Panel, which will comprise: two service providers, two shippers (one of which must be a large end-user) and AEMO? If not, please explain why not and the changes you would suggest be made to the composition of the OTS Code Panel.	ERM is of the view that the OTS Code Panel composition should be expanded to include a small shipper (e.g. a second tier retailer or small end-user) to ensure that the interests of smaller users are represented.



	Questions	Feedback
4.1.3 Measures to address contractual limitations in facility agreements		
12.	Do you agree with the proposal to use a request and negotiate framework, rather than a standard form agreement model or more prescriptive provisions in the NGR to overcome the limitations on capacity trading in facility agreements? If not, please explain why.	
13.	Do you think the 30 day period allowed for service providers to respond to a shipper seeking an amending agreement is appropriate? If not, why?	
14.	Do you agree with the principles that service providers will be required to give effect to when amending the facility agreement in rule 642?	
15.	Do you agree with the proposal to require service providers to comply with the change in receipt and delivery point provisions in rule 643?	Agreed.
16.	<p>Do you agree with the proposal in rule 643(6) to restrict the ability of service provider's to make its consent on a receipt or delivery point change conditional on obtaining the consent of a third party but only:</p> <p>(a) where the transportation service provider would be in breach of contract if it gave effect to the request without the consent of the third party; and</p> <p>(b) if the third party is another transportation facility user or an associate of another transportation facility user, the requirement to obtain that person's consent arises under a contractual provision entered into before 3 January 2018.</p> <p>If not, why?</p>	
4.1.4 Governance arrangements for the specification of zones		
17.	Do you agree with the GMRG's proposed change to the governance arrangements for the specification of zones? If not, please explain why not and set out the arrangements that you think should be employed.	We support the proposal for AEMO to determine the zones (as opposed to an industry panel or the pipeline operators making a recommendation to AEMO or the AER), however suggest that the rules be more explicit and specific in the obligation for AEMO to consult with industry. The rules as drafted require AEMO to make procedures that set out the arrangements for consultation, however do not define the scope of that consultation. We suggest that rule 627(2) be expanded to specify that consultation should be undertaken with all of industry (e.g. through a gas



	Questions	Feedback
		<p>industry working or reference group such as the GWCF) or through a public consultation process.</p> <p>We also think there could be merit in providing the AER with the right to review AEMO decisions at its own initiative or at another party's request, similar to the approach proposed in respect of the review of service provider cost recovery arrangements.</p>
18.	Do you agree with the specification of the principles that AEMO would be required to have regard to when determining the allocation of service points to zones? If not, please set out why not and any amendments you would propose to these principles.	<p>The principles seem to be reasonable.</p> <p>The detailed rules/procedures should also be flexible enough to allow users to use auction capacity to transport gas that they have parked in the pipeline to a delivery point (i.e. the rules should not prevent users from nominating to a delivery point only in respect of capacity they may have won at the auction). This is to ensure that users do not have to unnecessarily transport gas to a particular receipt point (and incur an extra charge from the pipeline operator) simply to use a particular a receipt and delivery point combination won at the auction.</p>
19.	Do you agree with the information disclosure obligations that service providers would be subject to under the NGR?	Agreed.
20.	Do you think any additional guidance on the specification of zones is required in the NGR?	
4.1.5 Other matters		
21.	Do you think the proposed service provider cost recovery arrangements provide sufficient protection against the risk of 'gold plating' or 'cost shifting'? If not, please explain why and identify any other measures you think should be employed.	ERM supports the framework whereby the AER may, at the request of a shipper or prospective shipper or at its own initiative, undertake a review of service provider charges (relating to standardisation costs). However we also believe that there should be a requirement that at least one review is conducted by the AER within the first year of the operation of the auction.
5.1.1 Grandfathered rights		
22.	Do you think the proposal to limit the availability of grandfathered rights to gas fired generators for use at their generation plant is appropriate? If not, please explain why	ERM does not support the GMRG's proposal to prioritise authorised overrun and as-available rights over the auction product, whether only for gas fired generators or any other kind of participant, and whether as a transitional or permanent measure. For the reasons set out below, we recommend that the proposal should not be adopted.



	Questions	Feedback
		<p><u>Reduces the quality of the auction product to a “lower tier” product and will erode confidence in the auction</u></p> <p>Under the auction design, the quantity of contracted but un-nominated <i>firm</i> capacity is released and made available for sale in the auction. Authorised overrun and as-available services are distinct from firm services (they do not involve the reservation of capacity or fixed payment on an MDQ basis) and do not contribute to the calculation of the quantity of capacity released into the auction. The proposal to treat authorised overrun and as-available rights as firm rights (when used for delivery to a GPG, and where such rights were acquired prior to 3/01/18 or through the exercise of an option that was acquired prior to 3/01/18) for the first two years of the auction has the potential to reduce the amount of capacity made available in the auction and significantly increases the risk of curtailment of the auction product during the day (if holders of eligible as-available or authorised overrun rights renominate upwards). This will diminish confidence in the auction product and deter participation in the auction, diminishing the effectiveness of the proposed reforms.</p> <p>The GMRG has recommended, and the COAG Energy Council has endorsed, a key design principle being that the auction product should be a second priority firm product. Allowing authorised overrun and as-available rights to take priority over the auction product, even as a transitional measure, is inconsistent with this fundamental design principle. The proposal effectively reduces the auction product to the lowest priority product on a pipeline that does not offer interruptible services, and the second lowest priority product on a pipeline that does offer interruptible services. The auction product will clearly therefore no longer be “second priority firm” during the proposed transitional period.</p> <p><u>The proposal discriminates amongst transportation facility users and creates an uneven playing field for GPG in the NEM</u></p> <p>The proposal will result in an uneven playing field as it will benefit some GPG (who qualify for the preferential rights) over other transportation facility users including other GPG. Unequal treatment of GPG will distort competition in the NEM and may deter the entry of new GPG who will not qualify for the preferential rights.</p> <p><u>If more time is needed to enable an orderly transition, the auction start date should be deferred until all participants are ready</u></p> <p>The auction is planned to commence in March 2019. It is clear that the introduction of the auction and other gas market reforms will have significant commercial and operational impacts on a wide range of parties (shippers, pipeline operators, AEMO,</p>



Questions		Feedback
		<p>the AER etc.), and all parties will need to make internal changes to ensure their readiness.</p> <p>ERM does not agree with the proposal to provide one subset of participants with advantageous transitional arrangements over others. If additional time is needed to enable an orderly transition, then the auction start date should be delayed.</p> <p>If the March 2019 target date is to be retained, the auction should be commenced with all parties operating on an equal basis with no preferential treatment of any party.</p>
23.	Do you think the proposed two-year transitional period for grandfathered rights is appropriate? If not, please explain why.	<p>No. ERM does not support the concept of elevating the priority of as-available and authorised overrun rights such that certain GPG (who meet the eligibility criteria) are granted a competitive advantage over other shippers including other GPG. The proposal creates an uneven playing field, degrades the quality of the auction product and will undermine the effectiveness of the reforms.</p> <p>Refer to our response to question 22.</p>
24.	Are there any other limitations that you think should be placed on the availability and/or use of grandfathered rights?	<p>ERM does not support the concept of elevating the priority of as-available and authorised overrun rights such that certain GPG (who meet the eligibility criteria) are granted a competitive advantage over other shippers including other GPG. The proposal creates an uneven playing field, degrades the quality of the auction product and will undermine the effectiveness of the reforms.</p> <p>Refer to our response to question 22.</p>
5.1.2 Contract path specification		
25.	<p>Do you agree with the GMRG's proposal to use the hybrid model for forward haul and compression services? If not, please explain why and in doing so:</p> <ul style="list-style-type: none"> ▪ set out the approach you think should be employed; and ▪ why you think this approach is more consistent with the objectives of the capacity trading reform package, the NGO and the Energy Council's Vision. 	
26.	Do you agree with the proposal to allow AEMO to determine the backhaul receipt and delivery points to be included in the auction? If not, please explain why	



	Questions	Feedback
27.	If AEMO is to determine the backhaul points to be included in the auction, do you think any principles need to be included in the NGR to guide this decision, or should it just be carried out by reference to the Part 25 objective and the NGO?	
5.1.3 Methodology used to calculate auction quantity limits		
28.	Do you agree with the proposal to require the methodology to be used to calculate the auction quantity limits to be specified in the Auction Procedures? If not, why?	
29.	Do you think any additional principles need to be included in the NGR to guide AEMO's development of this methodology? If so, please specify the principles and why you think they are required.	
5.1.4 Other matters		
30.	Do you think the balance that has been struck between the various legal and regulatory instrument is appropriate? If not, what changes do you think need to be made to achieve a better balance?	
31.	Do you think there are any contractual or other legal impediments to prevent auction facility operators giving effect to the results of the auction and auction service priorities? If so, what are they and how do you think they could be addressed?	
32.	<p>Do you think information on intra-day curtailments to capacity sold in the auction should be published on the Bulletin Board during the gas day? If so:</p> <ul style="list-style-type: none"> ▪ What benefit do you think it would provide? ▪ Do you think the obligation to report this information should be limited to material curtailments (e.g. where the capacity sold in the auction is curtailed by more than 10%)? 	<p>ERM agrees that information on intra-day curtailments of auction capacity should be published on the Bulletin Board during the gas day. This information should be published soon as practicable after any curtailment, so that shippers are made aware of the overall magnitude of the curtailment, which will inform commercial and operational decisions that affected shippers may have to make to deal with the curtailment.</p> <p>Shippers using an auction product will also be making arrangements for gas purchases. Even a small curtailment can have an adverse impact on a shipper and result in additional costs incurred by the shipper in having to make adjustments to its portfolio to cater to a curtailment of its capacity. Therefore information about any curtailment regardless of its size, should be published. The information is also required so shippers can analyse trends and conduct risk assessments.</p>



	Questions	Feedback
33.	Do you think information on the grandfathered rights that have been scheduled ahead of the auction should be published on the Bulletin Board after the gas day? If so, what benefit do you think it would provide?	<p>We do not agree with the proposal to elevate the priority of As-Available and Authorised Overrun rights such that they are able to trump and adversely impact the quality of the auction product, whether as a transitional or permanent design feature, Refer to our response to question 22.</p> <p>If nominations made under As-Available or Authorised Overrun Rights are allowed to adversely impact the amount of capacity made available in the auction or result in intraday curtailments of the auction product, information about those nominations should be published. This is to ensure transparency of market outcomes and the factors contributing to those outcomes. If the auction product is curtailed during the day, then as per our response to question 32, information about such curtailment should be published on the Gas Day (as soon as practicable after curtailment occurs), and specify the cause of the curtailment (i.e. whether due to renominations under As-Available rights, Authorised Overrun or Firm Rights)</p> <p>This information is essential for enabling shippers to understand the risks associated with using the auction product. If there is a high risk of being bumped off due to nominations or renominations under authorised overrun or as-available rights (or even firm renominations), shippers may decide not to participate in the auction, or shippers may need to incorporate a risk premium in any commercial arrangement that involves use of the auction product.</p>
34.	Are there are any other types of information that you think could be published that have not already been identified, which would allow auction participants to better understand the risks?	<p>If the priority of authorised overrun or as-available rights is to be elevated such that those rights sit above the auction product (as per the GMRG's proposal for the first two years of the auction), information such as the potential magnitude and duration of such rights, and which gas pipelines and GPG have such rights, should be made public. This is required to enable market participants to understand and assess the risks associated with participating in the auction in respect of each gas pipeline, and to provide transparency to minimise barriers to entry.</p> <p>Requiring disclosure of such information is also consistent with other current information disclosure requirements, including publication on the GBB of the amount of uncontracted firm capacity (which allows contracted firm capacity to be calculated) and the identity of firm shippers on each pipeline.</p>
7.1 Allocation arrangements		
35.	Do you have any concerns with allocation agents that operate at points through which gas is injected into or withdrawn from a Part 24 facility being required to provide AEMO with the information set out in Table 7.1?	



	Questions	Feedback
36.	Is there other information regarding allocation arrangements that should be published to ensure these agreements do not act as a barrier to trade?	ERM supports the proposal to require information about allocation arrangements to be published so as to provide more transparency and reduce barriers to entry. ERM believes that Rule 170A (requirement for BB reporting entities to provide information about allocation arrangements) should also apply to Injection and Withdrawal points in the Vic DTS for the same reasons.
8.1 Transitional arrangements		
37.	Are the provisions in the NGL and Part 26 of the NGR sufficient to trigger change of law provisions and enable changes required to existing contracts to implement the harmonisation of the gas day start time and, as applicable, the nomination cut-off time? If not, why?	
38.	With regard to the information required to be published by facility operators: <ul style="list-style-type: none"> Do you think transitional rule 4, Part 6 (Schedule 5) will facilitate coordination between interconnected facilities and AEMO without being overly burdensome on facility operators? If not, why? Is the 30 June 2019 cut-off date for publication appropriate? If not, when should this information be required to be published and why? 	
9.1 Key timings		
39.	Do you have any concerns with the timings outlined Chapter 9? If so, what are they and how do you suggest the timings are adjusted?	
40.	In the event the capacity trading reforms are applied in the Northern Territory, do you believe the timings set out in Table 9.4 are appropriate? For example: <ul style="list-style-type: none"> Part 18 of the NGR uses 'NT application date', defined as the date falling 90 days after the date on which the first NT interconnector is commissioned, to determine when Part 18 applies to facilities in the NT. Following this 90 day period, BB facilities that are also NT facilities have 20 business days to apply to AEMO to register under Part 18. In practice, this means that NT auction facilities may be subject to the capacity auction (which commences on the date falling 80 business days after commissioning), prior to publishing 	



	Questions	Feedback
	information on the Bulletin Board. Should the Part 18 obligations come into effect for NT auction facilities prior to the commencement of the auction?	

Our final comment is on rule 666. We have reproduced the table and row on page 20 for the GMRG's and provide our comments below.

Division 3	Market conduct and nomination rules	
666	Renomination records of transportation facility users	<p>ERM recommends that the requirement to create and maintain records of material renominations (which by definition includes intraday nominations) be limited to nominations to physical delivery points, and where gas is exiting a pipeline. It should exclude nominations that do not involve the exiting of gas from a pipeline such as –</p> <ul style="list-style-type: none"> • Nominations to in-pipe trading points • Nominations to give effect to imbalance transfers • Nominations to transfer gas from one account or service to another account or service on the same pipeline • Nominations to transfer gas to a different “delivery stream” on the same pipeline such as a Trade Point Delivery Stream, where no gas is exiting the pipeline. <p>The nominations described above should not have any impact on the quantity of capacity released in the auction or curtailments of auctioned capacity. Requiring a record of these nominations is unnecessary and would only add to compliance costs with no apparent benefit.</p>