AGENDA – PIPELINE CAPACITY TRADING

MEETING: REFERENCE GROUP MEETING
DATE: Friday, 4 May 2018
TIME: 9:00 AM to 12:30 PM (AEST)
LOCATION: AEMO OFFICES – Melbourne, Sydney, Brisbane and Adelaide

TELECONFERENCE: Phone: 1800 055 132 Meeting ID: 37143470

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<td>Noting</td>
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<td>Chair</td>
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<td>a. Recap</td>
<td>Nicholas Pope,</td>
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<td>Trent Morrow</td>
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<td>Service Provider Meeting</td>
<td>Anthony Alizzi,</td>
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<td>1. Capacity Transfer Interface</td>
<td>Trent Morrow</td>
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<td>5.</td>
<td>Next meeting</td>
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Reference Group Agenda
9am to 11am
1. Legal Framework
2. Procedures and Agreements
   1. Participation
   2. Zone Register
   3. Capacity Trading Platform
   4. Market Integration
   5. Day Ahead Auction
   6. Settlement and Prudential
3. Next steps

Service Provider meeting will commence following a short break (11am to 12:30pm)
Introduction

- AEMO has released preliminary drafts of the procedures, auction agreement and EA amendments.
- Initial informal consultation to support the finalisation of legislative and regulatory amendments required to implement COAG’s pipeline capacity trading reforms.

Q1. Are there any material issues that may require further changes to the NGL or NGR amendments?

Q2. Feedback is also sought on any significant operational or design issues arising from the draft documents as currently proposed.
Legal Framework
Legal and regulatory instruments

National Gas Law
Powers, functions and duties
Legal framework for subordinate instruments

National Gas Rules

Part 15A (Registered Participants)
Provides for AEMO to recover its costs from participants

Part 15B (Procedures)
Sets out the matters about which AEMO can make procedures

Part 18 (GBB)
Secondary trade information and other transparency measures (e.g. allocation arrangements)

Part 19 (DWGM)
Integration of capacity trades and auction rights.

Part 22 (GSH)
Legal framework and market conduct rules

Part 24 (Facilitating capacity trades and capacity auction)
Legal and governance framework for the Code, service provider obligations to facilitate trades and exemptions

Part 25 (Capacity Auction)
Legal framework, auction design, market conduct, service provider obligations and payment mechanism

Part 26 (Standard Market Timetable)
Legal framework for harmonised gas day start time and nomination cut-off times, and obligations associated with transition

Part 20 (STTM)
Integration of capacity trades

Key
Denotes contractual arrangements
* To be consulted upon separately by AEMO
<table>
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<tr>
<th>Instrument</th>
<th>Comment</th>
<th>Consultation</th>
</tr>
</thead>
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<tr>
<td>National Gas Law, Rules and Regulations</td>
<td>Legislative and regulatory amendments to give effect to COAG’s pipeline capacity trading reforms.</td>
<td>GMRG’s consultation on the draft has closed. The release of the preliminary drafts of the CT&amp;A</td>
</tr>
<tr>
<td>Auction Agreement</td>
<td>New Agreement for participation in the Day Ahead Auction. Draft included as appendix to CT&amp;A Procedures in preliminary consultation.</td>
<td></td>
</tr>
<tr>
<td>STTM Procedures</td>
<td>Minor amendments are required to these existing procedures</td>
<td>Initial informal consultation will occur in June / July Will be included in formal consultation alongside the Capacity Transfer and Auction Procedures in August 2018.</td>
</tr>
<tr>
<td>DWGM Procedures</td>
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<td>BB Procedures</td>
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</table>
Capacity Transfer and Auction Procedures

• Made under the Law, the procedures contain regulation and operation of CTP & DAA

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<th>Division 2 – CTP</th>
<th>Division 3 – DAA</th>
<th>Division 5 – Transitional</th>
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<tr>
<td>2. Registration of SPs</td>
<td>8. Trades and transfers</td>
<td>14. Admin</td>
<td><em>Schedules</em></td>
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<tr>
<td>3. Zones, Segments and points</td>
<td>9. STTM &amp; DWGM Integration</td>
<td>15. DAA platform</td>
<td>CTP &amp; DAA timetables</td>
</tr>
<tr>
<td>4. Register</td>
<td>10. Termination of primary GTA</td>
<td>16. DAA components and solver</td>
<td><em>Appendix</em></td>
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<tr>
<td>5. Facility Agreement Information</td>
<td>6. Interface Protocol</td>
<td>17. DAA cancellation or exclusion</td>
<td>Auction Agreement</td>
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</tbody>
</table>

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<th>Division 4 – CTP</th>
<th>Division 5 – Transitional</th>
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<tbody>
<tr>
<td>11. Allocation of Timetable</td>
<td>26. DAA exposure</td>
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<tr>
<td>12. Trade and transfers</td>
<td>27. Auction Settlement</td>
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</tbody>
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<thead>
<tr>
<th>Division 6 – DAA</th>
<th>Division 7 – Transitional</th>
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<tbody>
<tr>
<td>18. STTM &amp; DWGM Integration</td>
<td>28. Compliance and reporting</td>
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<tr>
<td>19. Integration</td>
<td>29. Dispute Resolution</td>
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</tbody>
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<tr>
<th>Division 8 – Transitional</th>
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</thead>
<tbody>
<tr>
<td>30. Compliance and reporting</td>
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</table>
Auction Agreement

• New agreement between AEMO and auction participants that outlines the terms for participation in the Day-ahead Auction.

• The Auction Agreement will need to be executed by Auction Participants prior to the commencement of the market.

• The Auction Agreement is an appendix to the Capacity Trading and Auction Procedures, terms include:
  • Participation,
  • Access to the auction platform,
  • Settlement, prudential and joint arrangements with the exchange,
  • Default, suspension, disputes and other obligations on the parties.
Exchange Agreement amendments

• Gas Supply Hub Exchange Agreement outlines the terms for trading physical gas and services through the Gas Trading Exchange (Gas Supply Hub).

• The Capacity Trading Platform will be implemented through the Gas Supply Hub and as such amendments to the Gas Supply Hub Exchange Agreement are required to incorporate the capacity products into the existing trading arrangements.

• Amendments include delivery arrangements and settlement of capacity trades.

• The preliminary consultation document includes a set of sample product specifications for capacity products.
Market Procedures and Agreements
Participation
Agreements for Participation

• The intent is to harmonise and streamline the registration process for the Capacity Trading Platform and the Day Ahead Auction where possible.

• Participation on the Capacity Trading Platform will require participants to sign the *Exchange Agreement* to become a GSH member.

• Participation in the Day Ahead Auction will require participants to sign the *Auction Agreement* to become an Auction member.

• To make of use services bought on either the CTP or DAA, participants will need to sign an *operational TSA* with the relevant facility operator (or incorporate these provisions into their existing agreement).
Participation on the CTP

• The capacity trading platform will be implemented on the existing Gas Supply Hub (GSH).

• Existing GSH members will have automatic access to the new capacity products.

• New members can join as a:
  • New trading participant – providing access to both capacity and commodity products by signing onto the amended Exchange Agreement (same as existing GSH members)
    OR
  • Capacity trading participant – providing access to capacity products only. (Amendment to Clause 5.1 in Exchange Agreement).
Participation in the DAA

- The Day Ahead Auction will be implemented on a separate system, accessed via AEMO’s Market Portal.
- To become an Auction Participant and gain access to the systems, participants will need to sign the **Auction Agreement** (appendix to the CT&A Procedures).
- There is a set of criteria set out in **Division 3, Section 13 of the CT&A Procedures** to be eligible to enter into an Auction Agreement.
Zone Register
Why are zones important?

- A zone is a group of receipt or delivery points.
- Forward haul and compression products on the CTP will be traded on a zonal basis.
  - Primary shippers will sell their point-to-point capacity in a zone-to-zone product, increasing the prospective pool of buyers.
- The GMRG has also put forward a hybrid model for forward haul and compression products on the DAA.
  - The hybrid model allows auction participants to bid for any unused capacity at individual receipt or delivery points, with the ability to secure capacity at the points dependent on whether there is sufficient contracted but un-nominated (CBU) capacity available in the relevant zones.
  - There must also be sufficient CBU capacity on the pipeline segments connecting the zones.
- Common zones will be applied to the CTP and the DAA such that each market will have the same pool of participants competing for capacity (so long as they are registered to participate in both markets).
What is the zone register?

• The Transportation Service Point Register has been set up in the legislative package to:
  • Include specifications of all Service Points on all facilities captured by Part 24 and Part 25 as a common point of reference for all involved in the markets.
  • Provide the definitions of the zones that will be used for the CTP and DAA, and the segments that will be used for the DAA.

• **CT&A Procedures, Division 1, Section 3** covers the process for the facility operators to provide service point specifications, and the process for determining the composition of the zones and segments.

• **CT&A Procedures, Division 1, Section 4** sets out exactly what information will be contained in the register.

• The register is an important building block for operation of the Auction:
  • Components make up the Auction Products that participants bid for,
  • Auction quantities must be provided for each of the components outlined in the register (CT&A S19)

• **Note, in this slide pack, the Transportation Service Point Register is often referred to as the Zone Register.**
Zone Register

• The Register will be broken into 5 parts:

  1. **Zone Register** – listing the name and description of each zone.
  2. **Forward Haul Pipeline Segment Register** – listing each segment and which zones define the segment.
  3. **Backhaul Pipeline Segment Register** – listing each segment and which backhaul receipt and delivery points define the segment.
  4. **Service Point Register** – listing each service point, which zone it is located in, and any other description information required.
  5. **Park Service Register** – listing the service point for each park service which is required to use the service.
### Zone Register

<table>
<thead>
<tr>
<th>Zone Name</th>
<th>Zone Description</th>
<th>Zone Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBP Wallumbilla Receipt Zone</td>
<td>Receipt zone at Wallumbilla on the Roma to Brisbane Pipeline</td>
<td>pipeline receipt zone</td>
</tr>
<tr>
<td>RBP Darling Downs Zone</td>
<td>Receipts downstream of Wallumbilla</td>
<td>pipeline receipt zone</td>
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<tr>
<td>…</td>
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</tbody>
</table>

### Forward Haul Pipeline Segment Register

<table>
<thead>
<tr>
<th>Pipeline Segment Name</th>
<th>From Zone</th>
<th>To Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wallumbilla to Darling Downs</td>
<td>RBP Wallumbilla Receipt Zone</td>
<td>RBP Darling Downs Zone</td>
</tr>
<tr>
<td>…</td>
<td>…</td>
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</tr>
</tbody>
</table>

### Service Point Register

<table>
<thead>
<tr>
<th>Name of service point</th>
<th>Description</th>
<th>Service Point Type</th>
<th>Zone location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wallumbilla3 Entry Delivery Stream</td>
<td>RBP Run 3</td>
<td>forward haul receipt point</td>
<td>RBP Wallumbilla Receipt Zone</td>
</tr>
<tr>
<td>Wallumbilla4 Delivery Stream</td>
<td>RBP Run 4</td>
<td>forward haul receipt point</td>
<td>RBP Wallumbilla Receipt Zone</td>
</tr>
<tr>
<td>…</td>
<td>…</td>
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</table>
How is the register going to be formed?

- GMRG and AEMO have been working with the facility operators to prepare an initial register, including the definitions of the zones and pipeline segments.
- It is expected that the register will be released for initial consultation by the end of May.
- After market start, the change process for the zone register has been specified in *CT&A Procedures, Division 1, Section 3*. 
Capacity Trading Platform
Overview

- Exchange trading of capacity products will occur through the Gas Supply Hub (GSH).
- It is proposed that operating hours of GSH to change to 9am to 7pm (AEST).
- Trading platform will operate 7 days a week.
- Market support functions of GSH (settlement, prudential, reporting) will be available for capacity trades.
- Trading on the exchange will be anonymous, and an interface for capacity transfers will be implemented between AEMO and Service Providers to facilitate automatic transfers on traders’ behalf.
- To give effect to the new capacity products on the exchange, amendments will be made to the **Exchange Agreement**.
- Arrangements to give effect to transfer of the capacity by facility operators are drafted in **Division 2 of the Capacity Transfer and Auction Procedures**.
Products

There will be forward haul transportation, compression, and park services available for trading on the CTP. Forward haul transportation and compression products will be of the form *receipt zone to delivery zone on a facility*.

- Primary shippers tend to have rights to point-to-point capacity in their primary GTA with a pipeline operator.
- A primary shipper will place an offer on the exchange for zone-to-zone capacity, and will be releasing their point-to-point capacity.
- Buyers will bid for the zone-to-zone product, and will nominate which points they are using in the respective zones.

The buyer’s use of the capacity is defined in their *operational TSA* with the service provider.
Sample Capacity Products

- A sample list of products has been included in the preliminary pack for consultation, including the product definitions for each of the services (Attachment to Exchange Agreement amendments – Sample Product Specifications).

- The final list of products will be dependent on the final service point and zone definitions.
  - Recall zones will be defined in the Transportation Service Point Register, which will be consulted on separately.

- AEMO will also consult later in 2018 on the product list, including which products are to be exchange traded, and which are to be pre-matched only.

- Note that not all products will be available for trading ‘on-market’, rather some will be available for pre-matched trading only.
Submitting an Order

• Similar to commodity products currently traded on the exchange, interaction of market participants with the exchange, including submitting orders, is defined in the Exchange Agreement.

Submission of orders for capacity products on the exchange will also require:

• Trading participants to specify receipt and delivery points in their order for the zone to zone products (defined in the Exchange Agreement and Transportation Service Point Register).

• Trading participants to provide contract reference information prior to trading.
  • Shippers may have more than one contract on a facility with a service provider, so the service provider needs to know which reference to adjust when a participant trades capacity.
  • Similarly, AEMO needs to know which rights to (automatically) adjust for STTM and DWGM.
  • The details for how this information will be provided is in CT&A Procedures, Division 1, Section 5.
**Contract Reference Selection**

1. Service providers will provide AEMO a list of contract reference IDs associated with each trading participant. For relevant products, these will also be associated with STTM Contract Reference Numbers.
2. DWGM accreditation rights will be filled from AEMO’s systems. The STTM rights that service providers provide will be validated against AEMO’s systems.
3. Pre-trading, participants will log in to AEMO’s Markets Portal and select the contract reference(s) they wish to adjust when they trade.
4. On submission of an order, AEMO will validate that the trading participant has selected a valid contract reference and that they have sufficient trading margin.
5. The selected references will be provided to service providers to execute the transfer in their system, and will be used to make adjustments in AEMO’s market systems.

Q3. Please provide your feedback on whether the list of information required to be provided by Service Providers in relation to each market participant’s facility agreements is sufficient for shippers and service providers to identify which contract reference the shipper wishes to adjust with their trade *(CT&A Procedures, Division 1, Section 5)*.
Delivery Process for Capacity Trades

- AEMO will notify shipper that capacity has been transferred.
- Once capacity has been transferred the transaction has been *delivered* *(Exchange Agreement Clause 14A)*.
- Shipper will make nominations directly to the pipeline operator to utilise the capacity they have procured.
- The delivery process for capacity trades (capacity transfer between the seller and buyer on the exchange) is encapsulated in **Division 3 of the Capacity Transfer and Auction Procedures**.
Delivery of Capacity Transactions

• New **Clause 14A in the Exchange Agreement** sets out the contractual arrangements for Delivery of the Capacity Transactions between Trading Participants and AEMO (as Operator of the Platform).

• **Division 2, Section 8 of the CT&A Procedures** provides for the processing steps between AEMO and the facility operators involved:
  - AEMO to calculate the quantities a facility operator must transfer
  - AEMO to provide facility operators with notices to transfer the capacity.
  - The validation arrangements for facility operators to give effect to a transfer of capacity.

• The times at which each processing step must be completed are provided in Schedule 1 and 2, given effect in **Division 2, Section 7**.

• **Division 1, Section 6** provides for AEMO to establish a CTP Interface Protocol for how AEMO and facility operators will exchange information for the purposes of the CT&A Procedures.
Validation by facility operators

- AEMO is seeking further feedback on Division 2, Section 8, for the appropriate validation arrangements for facility operators.

- The current drafting sets out the following:
  
  1. If a facility operator identifies either a capacity shortfall or an invalid contract reference, then a validation failure has occurred.
  
  2. The facility operator must notify AEMO of the validation failure.
  
  3. AEMO must then use reasonable endeavours to tell the relevant shipper and facility operator that there has been a validation failure.
  
  4. If the user is able to remedy the validation failure to the reasonable satisfaction of the facility operator within the remedy period, the facility operator will confirm those quantities to AEMO.
  
  5. If the validation failure still exists at the expiry of the remedy period, the facility operator is to pro-rate any increases in capacity in connection with the operational transfer.

Q4. Are the arrangements for seller and buyer delivery fault appropriate?

Q5. Please provide your feedback on the remedy arrangements where a validation failure has been identified.
Capacity Transfer and Auction Timetable

• Schedule 1 and 2 of the CT&A Procedures set out the Capacity Transfer and Auction Timetable.
  • Table 1 is the timetable for the transfer of capacity purchased on the Gas Trading Exchange as a Day-Ahead Product.
  • Table 2 is the timetable for capacity auction.
  • Table 3 is the timetable for the transfer of capacity purchased on the Gas Trading Exchange other than as a Day-Ahead Product.

• The Timetable is given effect in Division 2, Section 7 and Division 3, Section 14.3, which provide for:
  • The Timetable to define the times at which AEMO, auction participants and facility operators must give information and notices and do any other thing provided for in the Procedures.
  • The Timetable also sets out possible extensions of time when there are systems issues, and what events can lead to such delayed times.

• For the purposes of this preliminary consultation only Schedule 2, which applies after Gas Day Harmonisation comes into effect on 1 October 2019, has been populated.
  • Schedule 1, which applies prior to harmonisation will largely reflect the tables in Schedule 2, with times that are offset to account for different gas day start and nomination cut-off times on different transportation facilities.
Market Integration
STTM and DWGM adjustments

- Following confirmation of a capacity transfer by a service provider, AEMO will make any capacity transfers required for the STTM and DWGM.
- For the trades on the Capacity Trading Platform, updates to capacity rights in the STTM and DWGM will be automated.
  - Service providers will not be required to confirm updates to capacity rights
- If the Seller does not have sufficient capacity to meet the trade then it will be rejected.

**Division 3, Section 9 of the CT&A Procedures** provides for AEMO to make the adjustments in the respective market systems on the rights notified by the participant before making a trade in the respective products.

**STTM**
- Buyer must register contract in the STTM prior to trading.
- If the contract is an operational service then it will initially have 0 capacity.
- AEMO automatically amends contract and trading right capacity.

**DWGM**
- Buyer must register accreditation right in the DWGM prior to trading.
- AEMO automatically amends accreditation rights.
The work to date on zones suggests that on some pipelines the STTM hub definition doesn’t perfectly align with zonal definitions.

Three potential variations include:

- **Discrete zone**: where the pipeline zone and STTM hub definition align.
- **Mixed zone**: where there is a mix of STTM and non-STTM delivery points in the same zone, or
- **Split zones**: where an STTM hub is split across more than one pipeline zone.

Proposed approach for integration of STTM capacity trades:

- AEMO will automatically reduce the capacity of the seller’s contract (CRN) capacity (and trading right capacity), and increase the contract capacity of the buyer.

Where there is a **mixed zone** it is proposed that there will be the following capacity products on the CTP:

- Integrated product – will automatically adjust buyer’s and seller’s STTM contract capacity.
- Non integrated product – no adjustments made to STTM contracts.
DWGM Integration

• DWGM transfer points (e.g. Culcairn, VicHub, TasHub, SEAGas, etc…) will be included in zones for trading on the Capacity Trading Platform and Day Ahead Auction.

• **Integration** - Confirmed capacity transfers at a DWGM transfer point will result in an automatic change to the maximum and minimum hourly flow bid constraint in the DWGM.
  - Unlike the STTM, a participant simply needs to be accredited at a relevant point in order to be scheduled → no need to transfer capacity rights from one participant to another.

• DWGM bidding and scheduling processes will remain unchanged.
  - A participant who acquires capacity at a transfer point will still need to bid and be scheduled in the DWGM.
Treatment of capacity at DWGM points

• Similar to the options for the STTM, **mixed zones** or **discrete zones** could be used.

• **Proposed approach for integration of interface point capacity:**
  - One-sided changes to bid accreditation constraints will be permitted where a buyer or seller nominates to use a DWGM interface point as a transfer from buyer to seller is not required. This will permit the use of mixed zones where applicable.
  - Note that capacity released through the auction will not reduce a participants’ MHQ as the firm holder of the capacity can still use it on the gas day.

• In accordance with the AMDQ Procedures, participants should adjust their AMDQ at SWPs on interconnect facilities (currently only Culcairn) to reflect the firm capacity they hold at the SWP e.g. to account for any sales.
  - Changes to AMDQ to be done as per existing process no automation proposed
Day Ahead Auction
Section 16 of the Auction Procedures deals with “Product Components and the Auction Solver”

Design Recap

• AEMO will operate a day-ahead auction for pipeline capacity shortly after nomination cut-off time on each gas day.

• The auction will be for transportation services on facilities as defined in the Transportation Service Point Register.
  • Backhaul;
  • Forward haul; and
  • Compression.

• Auction Products are defined as a transportation service between a receipt point and a delivery point on an Auction Facility.
  • Participants bid from receipt point to delivery point.

• Auction Products comprise multiple Product Components which limit the capacity that can be acquired for the Auction Product
  • AEMO will pre-process bids for Products into Product Components for use in the solver

• The Auction solver will determine prices and quantities for each auction component which AEMO will re-aggregate into quantities and prices for each auction product.
Auction products recap

The day ahead auction will facilitate forward haul, compression and backhaul products. Each product is on a single facility. Each product is between a receipt point and a delivery point.

**Forward Haul Product**
A product for a transportation service of gas on a pipeline between a forward haul receipt point and forward haul delivery.

**Compression Product**
A product for a service to compress gas bad between one or more compression points.

**Backhaul Product**
A backhaul product is for a transportation service between a backhaul receipt and backhaul delivery point.
Auction Processing

Auction bid: RP1 -> DP2 (Auction Product 1)

Pre-Processing

Using the Zone Register

Auction Solver

Product Components

RP 1  RZ 1  Segment 3  DZ 1  DP 2

Post-Processing

Using Auction Results + Zone Register

Auction Product 1 (Price + Volume)

System: Bidding interface

Reports
Components of a forward haul product

- A forward haul product gives the participant a right to transport gas between an applicable receipt point and delivery point.
  - The participant will bid for a receipt and delivery point pair.
  - The auction will allocate the participants bid across the various the components that make up the auction product
- Each forward haul product comprises the following components:
  - Receipt point capacity
  - Receipt zone capacity
  - Pipeline segment(s) capacity
  - Delivery zone capacity
  - Delivery point capacity
Auction Quantity Limits – Forward Haul services

Table 19.2.1
Auction Quantity Limits for each product component

Table 19.3
Quantities and terms used in the calculation of Auction Quantity Limits

Auction Quantity Limits (Table 19.2.1)

Inputs (Table 19.3)

Physical capacity
Scheduled priority flow
Contracted Capacity
Scheduled priority flow
A backhaul product gives the participant a right to transport gas between an applicable backhaul receipt point and backhaul delivery point.

- The participant will bid for a receipt and delivery point pair.
- Note that a backhaul receipt point will have a corresponding forward haul delivery or receipt point and that backhaul delivery point will have a corresponding forward haul receipt or delivery point.
  - The various point combinations will have different quantity limits. Relevant backhaul paths will be determined through the zones definition process.
- The auction will allocate the participants bid across the various the components that make up the auction product.
- Backhaul requires physical forward haul flow for the relevant pipeline segments and at the backhaul delivery point where it is a forward haul receipt point.

Each backhaul product comprises the following components:
- Backhaul receipt point capacity
- Pipeline segment capacity
- Backhaul delivery point capacity
## Backhaul Quantity Limits (table 19.2.3)

- Each backhaul receipt or delivery point will have a corresponding forward haul receipt or delivery point. Different Quantity limits apply depending on the type of point.

<table>
<thead>
<tr>
<th>Backhaul Component</th>
<th>Forward Haul Delivery Point</th>
<th>Forward Haul Receipt Point</th>
</tr>
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<tbody>
<tr>
<td>Receipt Point</td>
<td>Scheduled net priority flow at the forward haul delivery point</td>
<td>Unused capacity at the forward haul receipt point</td>
</tr>
<tr>
<td>Delivery Point</td>
<td>Unused capacity for the forward haul delivery point</td>
<td>Scheduled net priority flow at the forward haul receipt point</td>
</tr>
<tr>
<td>Backhaul Pipeline Segment</td>
<td>Scheduled net priority forward haul flow for the backhaul pipeline segment between the backhaul receipt point and backhaul delivery point.</td>
<td></td>
</tr>
</tbody>
</table>
Auction Quantity Limits – Backhaul (between a forward haul receipt point and forward haul delivery point)

Table 19.2.3
Auction Quantity Limits for each product component

Table 19.3
Quantities and terms used in the calculation of Auction Quantity Limits

Backhaul Auction Quantity Limits
(Table 19.2.3)

Inputs (Table 19.3)

- Unused capacity
- Scheduled net priority flow
- Unused Capacity
- Physical capacity
- Scheduled priority flow
- Scheduled Backhaul flow
- Scheduled Forward haul flow
- Physical Capacity
- Scheduled priority flow
### Auction Procedures – Market Parameters (Section 18)

<table>
<thead>
<tr>
<th>Item</th>
<th>Market Parameter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Bid Price</td>
<td>$0/GJ</td>
</tr>
<tr>
<td>Maximum Bid Price</td>
<td>$50/GJ</td>
</tr>
<tr>
<td>Minimum Bid Quantity</td>
<td>1 GJ</td>
</tr>
<tr>
<td>Maximum Bid Quantity</td>
<td>10000 GJ (not yet specified in the Procedures)</td>
</tr>
<tr>
<td>Bid Increment</td>
<td>1 GJ</td>
</tr>
<tr>
<td>Maximum Bid Steps</td>
<td>10</td>
</tr>
</tbody>
</table>

**Q6:** Please provide any feedback on the proposed market parameters for the auction.
# Public Auction Reports

<table>
<thead>
<tr>
<th>Report</th>
<th>Description</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auction Quantities Limit Report</td>
<td>This report publishes auction quantity limits for each product component as provided by service providers</td>
<td>Daily, prior to running of auction</td>
</tr>
<tr>
<td>Auction results</td>
<td>This report publishes the aggregate cleared quantities, prices and price sensitivities for each product component</td>
<td>Daily, after the auction runs</td>
</tr>
<tr>
<td>Revised auction quantities report</td>
<td>This report provides revised auction quantities for each product (where applicable) and aggregate nomination quantities</td>
<td>Day, after the auction runs</td>
</tr>
</tbody>
</table>

Q7: Please provide any feedback on the proposed public reports for the auction.
# Private Reports

<table>
<thead>
<tr>
<th>Report</th>
<th>Recipient</th>
<th>Description</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bid confirmation</td>
<td>Auction Participants</td>
<td>Provides the participant with a record of bids successfully submitted to the system</td>
<td>On bid submission</td>
</tr>
<tr>
<td>Participant Auction Results</td>
<td>Auction Participants</td>
<td>A report providing the participant’s cleared auction quantity and price for each product</td>
<td>Shortly after the auction runs</td>
</tr>
<tr>
<td>Service Provider Auction Results</td>
<td>Service Providers</td>
<td>A report providing all participant cleared quantities and the price for each auction product</td>
<td>Shortly after the auction runs</td>
</tr>
<tr>
<td>Indicative Settlement</td>
<td>Auction Participants and Service Providers</td>
<td>Provides indicative settlement position, will use existing GSH report</td>
<td>Daily</td>
</tr>
</tbody>
</table>

**Q8: Please provide any feedback on the proposed private reports for the auction.**
Settlement and Prudential
Facility operators provide AEMO with nomination and revised quantity information.

CT & A S21.2.1

AEMO calculates settlement amounts

CT & A S21.3

Final settlement and payment by Auction Participants to AEMO

Auction Agreement A7

Revised settlement and payment between Auction Participants and AEMO

Auction Agreement A7

Final settlement and payment by AEMO to facility operators

NGR 667 - 669

Revised settlement and payment between AEMO and facility operators

NGR 670 - 672
Auction Prudential Exposure

• The Auction Agreement outlines the prudential process applicable to the auction (similar to those for the Gas Supply Hub)
  • A prepayment or cash security mechanism for the DAA is currently under consideration by AEMO.

• AEMO will calculate an auction participant’s exposure regularly through a day.

• The exposure calculation is outlined in *s23 of the CT & A procedures*:

\[
\text{Auction Exposure} = \text{Bid Exposure} + \text{Indicative Settlement} + \text{Invoiced Amounts}
\]

• Bid Exposure is only measured on bids for the next auction.

• An exposure check on bids will occur on submission and again prior to the auction run.
Joint Settlement

• AEMO will net payment amounts between the Gas Supply Hub and the Auction for organisations participating in both markets. *(A8 of the Auction Agreement)*

• Prudential exposure will also be netted, monitored and managed across the Gas Supply Hub and the Auction for organisations participating in both markets. *(A9 of the Auction Agreement)*

• Participants will be able to use a single bank guarantee as collateral for both markets.

• *Note: prior to market commencement, participants will need to amend their guarantees to allow use in both markets.*
Next Steps
List of feedback items

1. Are there any material issues that may require further changes to the NGL or NGR amendments?
2. Feedback is also sought on any significant operational or design issues arising from the draft documents as currently proposed.
3. Is the list of information required to be provided by Service Providers in relation to each market participant’s facility agreements sufficient for shippers and service providers to identify which contract reference the shipper wishes to adjust with their trade?
4. Are the arrangements for seller and buyer delivery fault appropriate?
5. Feedback on the remedy arrangements where a validation failure has been identified.
6. Feedback on the proposed market parameters for the auction.
7. Feedback on the proposed public reports for the auction.
8. Feedback on the proposed private reports for the auction.
Next steps

• Please provide feedback on the preliminary consultation documents by Friday 18 May.
• Submissions can be made to the pipeline capacity trading inbox - pct@aemo.com.au
• AEMO will provide a summary of feedback at the June reference group meeting.
• AEMO expects the documents to be ready for formal consultation in August 2018 – consultation will run for a period of about six weeks.