

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

No.	Agenda item	Responsible	Action
1.	Attendees	Chair	Noting
2.	Apologies	Chair	Noting
3.	Industry Reference Group Meeting <ol style="list-style-type: none"> 1. Legal Framework <ol style="list-style-type: none"> a. Recap b. Order Submission c. Delivery Process d. Contingency Arrangements 2. Day-ahead Auction <ol style="list-style-type: none"> a. Recap b. Auction product components c. Bidding 	Nicole Dodd, Nicholas Pope, Trent Morrow	Discussion
4.	Service Provider Meeting <ol style="list-style-type: none"> 1. Capacity Transfer Interface 2. Registration 3. Market Integration 	Anthony Alizzi, Trent Morrow	Discussion
5.	Next meeting		Noting

Capacity Transfer and Auction Procedures

Reference Group 4 May 2018

Agenda

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

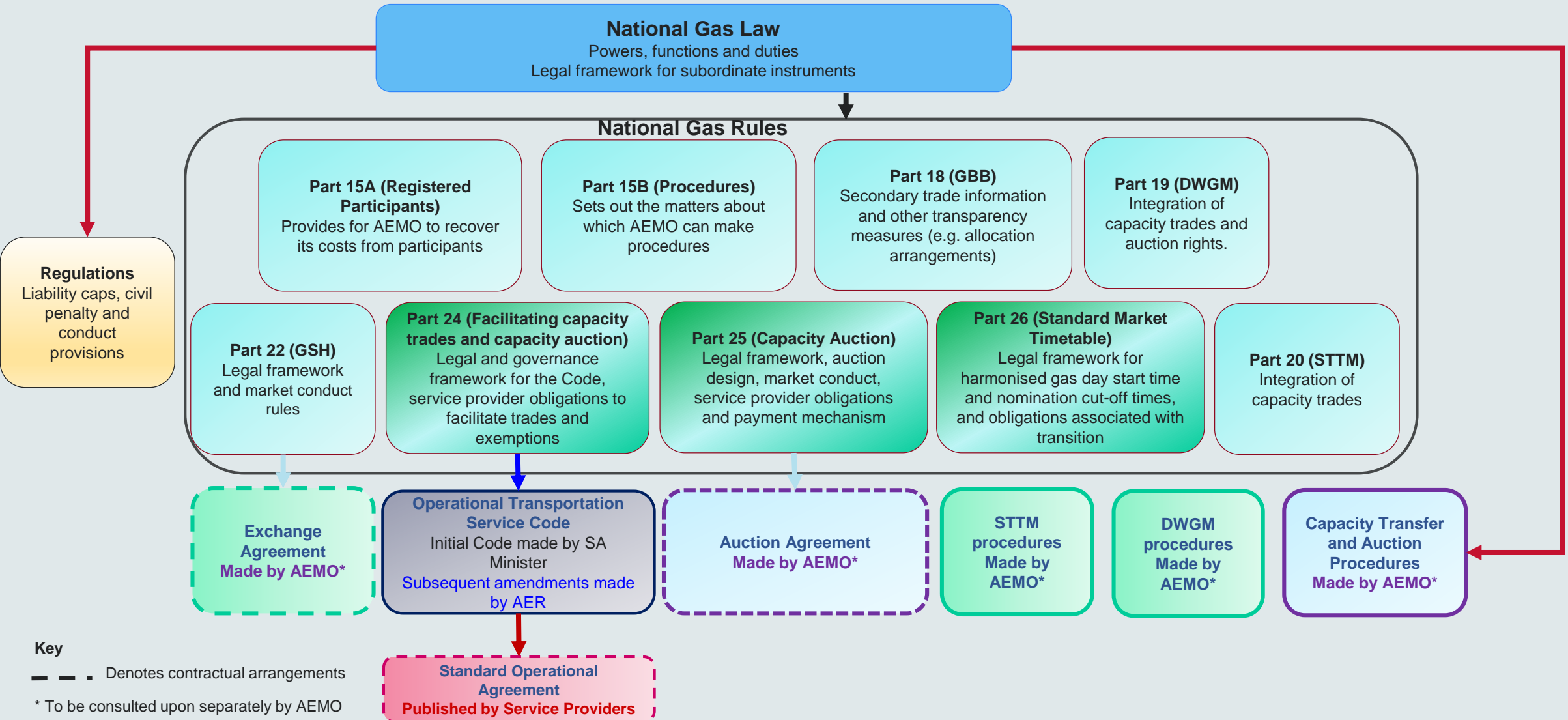
- AEMO has released preliminary drafts of the procedures, auction agreement and EA amendments.
- Initial informal consultation to support the finalisation of legislative and regulatory amendments required to implement COAG's pipeline capacity trading reforms.

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



Legal Consultation

Instrument	Comment	Consultation
National Gas Law, Rules and Regulations	Legislative and regulatory amendments to give effect to COAG's pipeline capacity trading reforms.	GMRG's consultation on the draft has closed. The release of the preliminary drafts of the CT&A
Capacity Transfer and Auction Procedures (CT&A Procedures)	Procedures for Capacity Trading Platform and Day Ahead Auction.	Preliminary consultation has commenced Formal consultation will commence in August and run for 6 weeks.
Gas Supply Hub Exchange Agreement (Exchange Agreement)	Existing Agreement for participation in the Gas Trading Exchange. Amendments to include Capacity Products included in preliminary consultation, including sample product specification.	AEMO expected to make procedures and agreements in early October 2018.
Auction Agreement	New Agreement for participation in the Day Ahead Auction. Draft included as appendix to CT&A Procedures in preliminary consultation.	
STTM Procedures	Minor amendments are required to these existing procedures	Initial informal consultation will occur in June / July
DWGM Procedures		Will be included in formal consultation alongside the Capacity Transfer and Auction Procedures in August 2018.
BB Procedures		

Capacity Transfer and Auction Procedures

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

Division 1 – General

Common to CTP & DAA

2. Registration of SPs
3. Zones, Segments and points
4. Register
5. Facility Agreement Information
6. Interface Protocol

Division 2 – CTP

7. Application of Timetable
8. Trades and transfers
9. STTM & DWGM Integration
10. Termination of primary GTA

Division 3 – DAA

13. Eligibility
14. Admin
15. DAA platform
16. DAA components and solver
17. DAA cancellation or exclusion
18. Running the auction
19. Auction quantities
20. Giving effect to auction results
21. DAA settlement
22. DAA max payment
23. DAA exposure
24. Reporting

Division 5 – Transitional

25. Compression Facility Information

Schedules

CTP & DAA timetables

Appendix

Auction Agreement

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 Example

Zone Register

Zone Name	Zone Description	Zone Type
RBP Wallumbilla Receipt Zone	Receipt zone at Wallumbilla on the Roma to Brisbane Pipeline	pipeline receipt zone
RBP Darling Downs Zone	Receipts downstream of Wallumbilla	pipeline receipt zone
...

Forward Haul Pipeline Segment Register

Pipeline Segment Name	From Zone	To Zone
Wallumbilla to Darling Downs	RBP Wallumbilla Receipt Zone	RBP Darling Downs Zone
...

Service Point Register

Name of service point	Description	Service Point Type	Zone location
Wallumbilla3 Entry Delivery Stream	RBP Run 3	forward haul receipt point	RBP Wallumbilla Receipt Zone
Wallumbilla4 Delivery Stream	RBP Run 4	forward haul receipt point	RBP Wallumbilla Receipt Zone
...

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

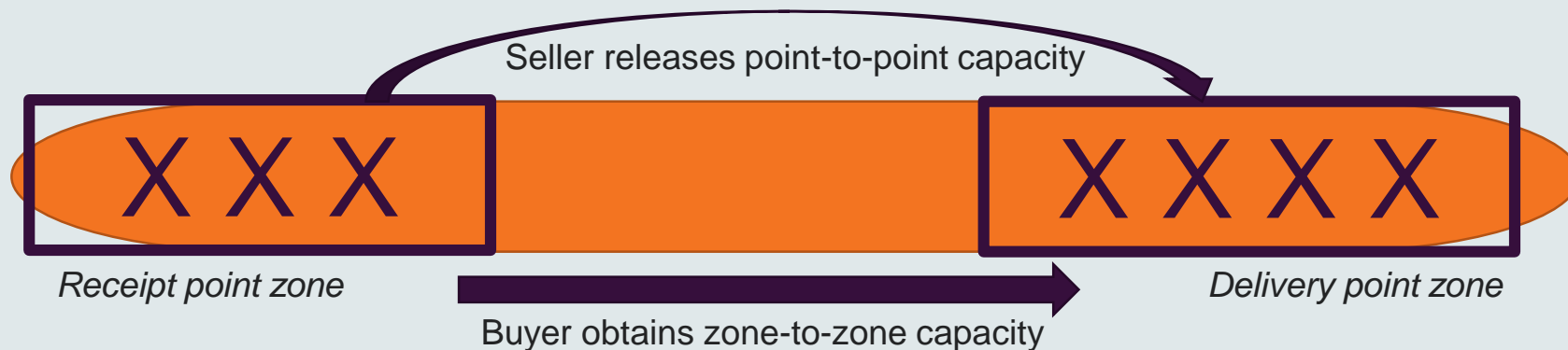
- Exchange trading of capacity products will occur through the Gas Supply Hub (GSH).
- It is proposed that operating hours of GSH to change to 9am to 7pm (AEST).
- Trading platform will operate 7 days a week.
- Market support functions of GSH (settlement, prudential, reporting) will be available for 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

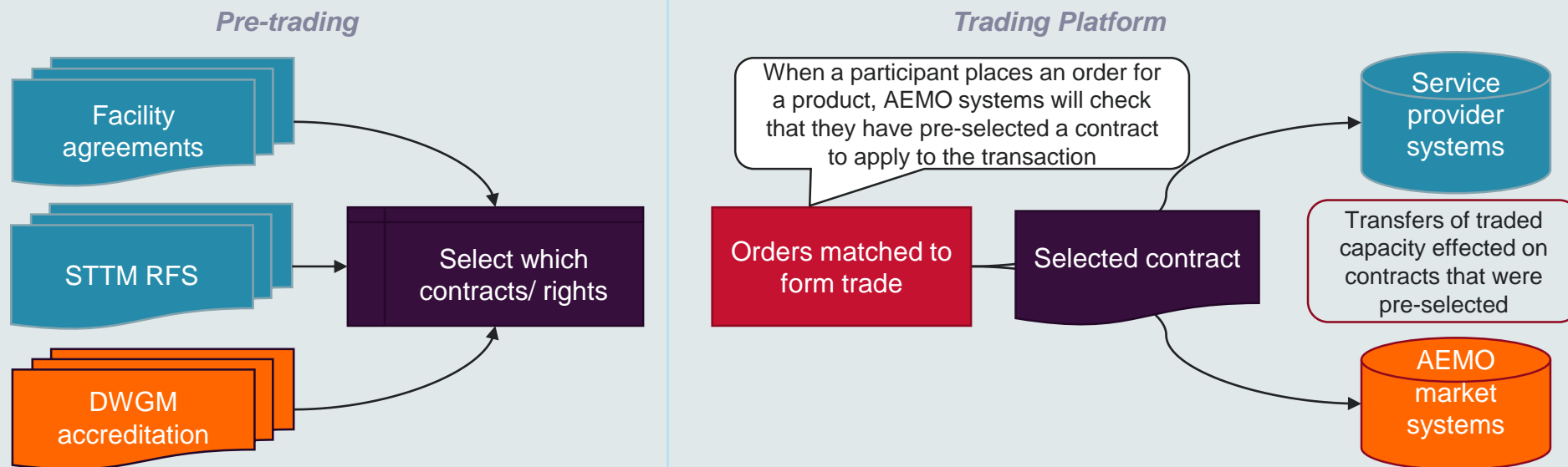
- Similar to commodity products currently traded on the exchange, interaction of market participants with the exchange, including submitting orders, is defined in the **Exchange Agreement**.

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.

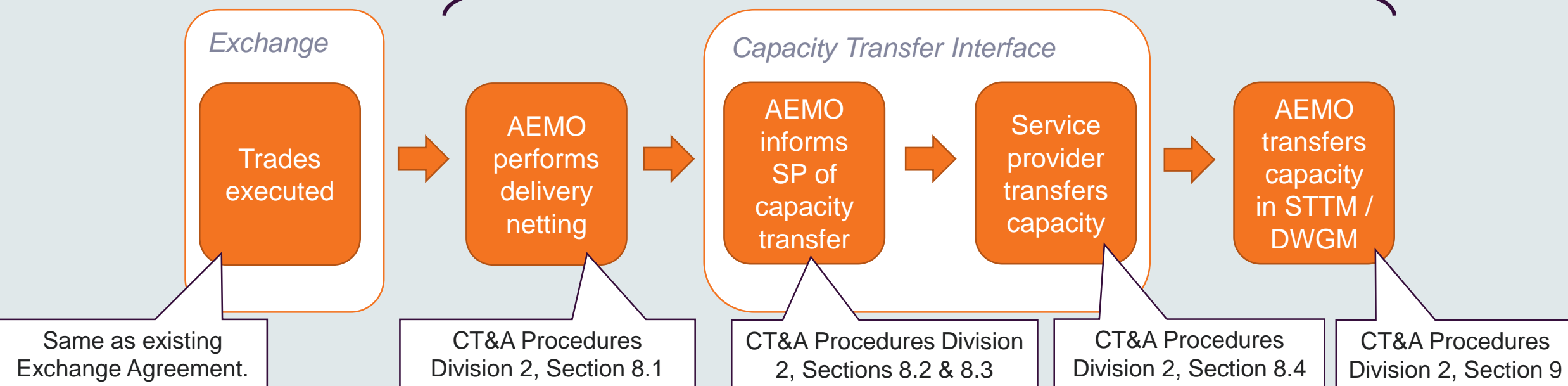


Q3. Please provide your feedback on whether the list of information required to be provided by Service Providers in relation to each market participant's facility agreements is sufficient for shippers and service providers to identify which contract reference the shipper wishes to adjust with their trade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

Delivery Process for Capacity Trades

Timing for process in CT&A Procedures Schedules 1 and 2: Capacity Transfer and Auction Timetable

Exchange Agreement Clause 14A



- 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.

STTM integration

- 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

Day Ahead Auction Product, Product Components and the Solver (Section 16)

Section 16 of the Auction Procedures deals with “Product Components and the Auction Solver”

Design Recap

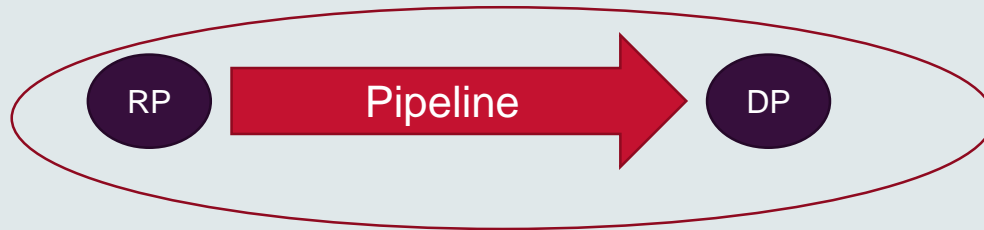
- AEMO will operate a day-ahead auction for pipeline capacity shortly after nomination cut-off time on each gas day.
- The auction will be for transportation services on facilities as defined in the Transportation Service Point Register.
 - Backhaul;
 - Forward haul; and
 - Compression.
- Auction Products 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

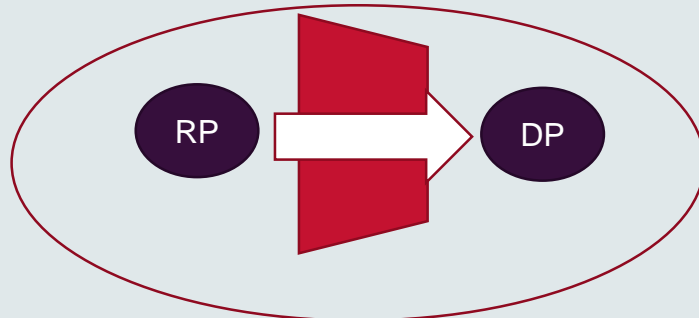
Forward Haul Product

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



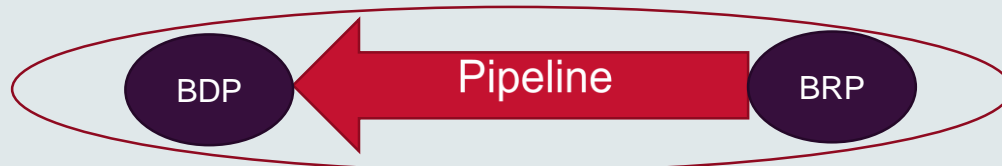
Compression Product

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

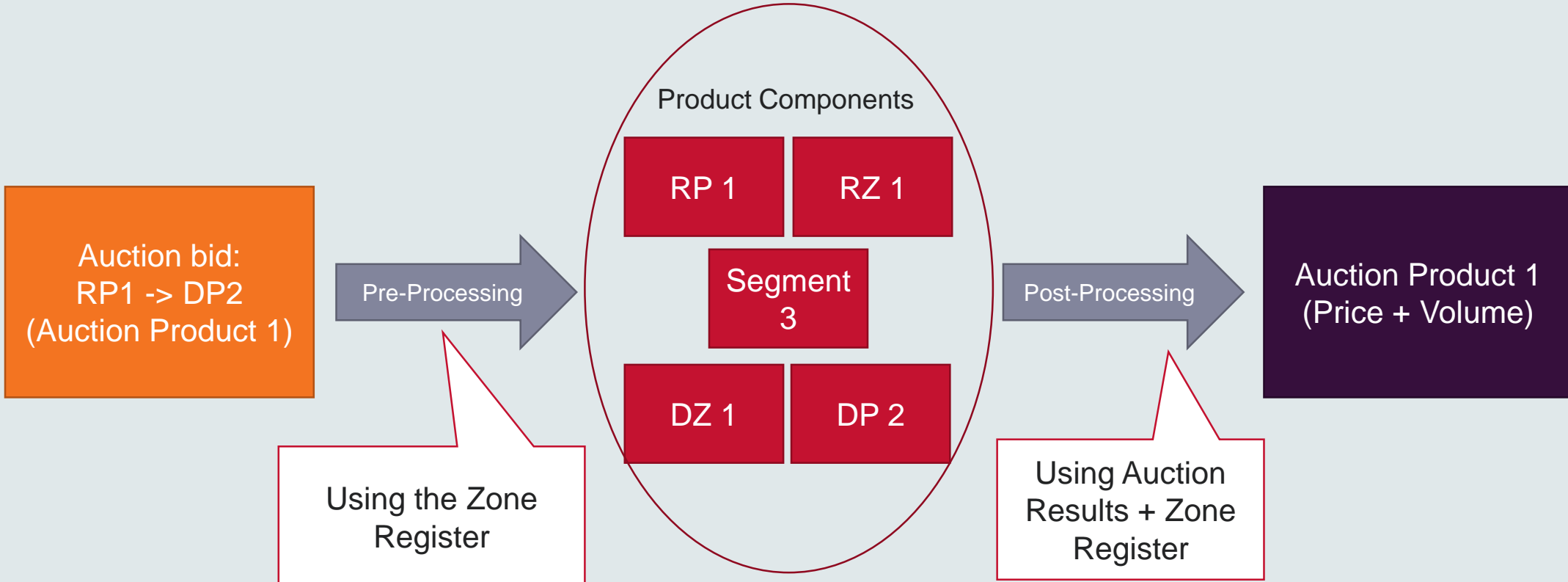


Backhaul Product

A backhaul product is for a transportation service between a backhaul receipt and backhaul delivery point



Auction Processing



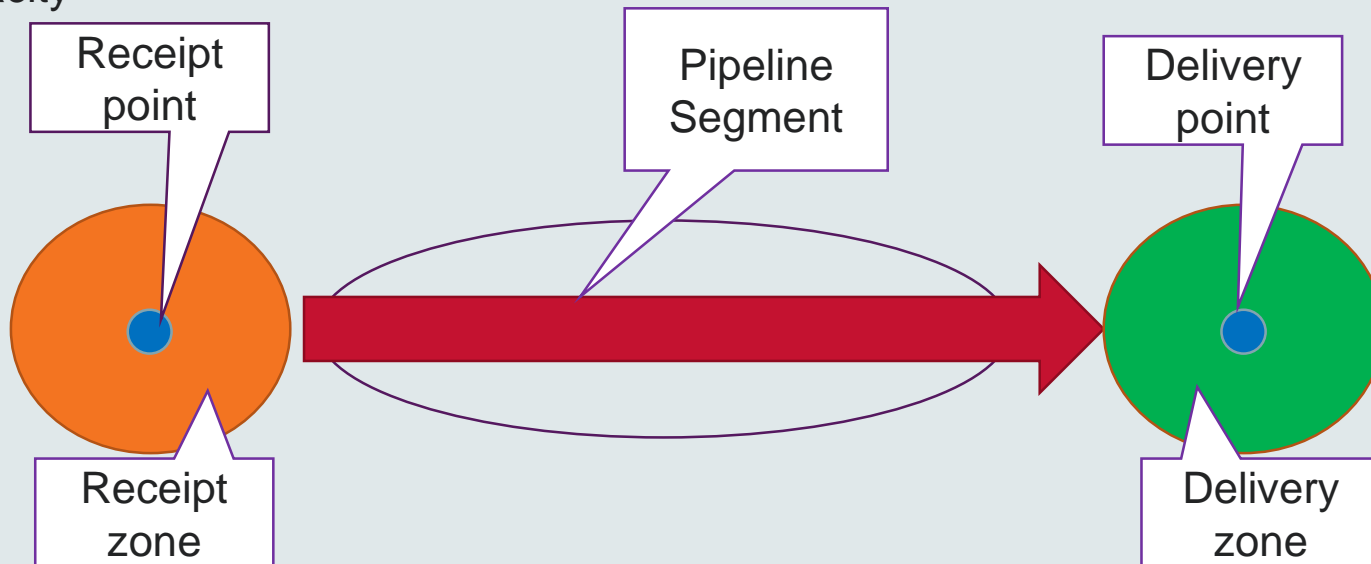
System: Bidding interface

Auction Solver

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

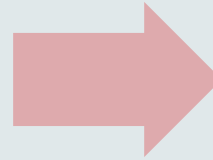
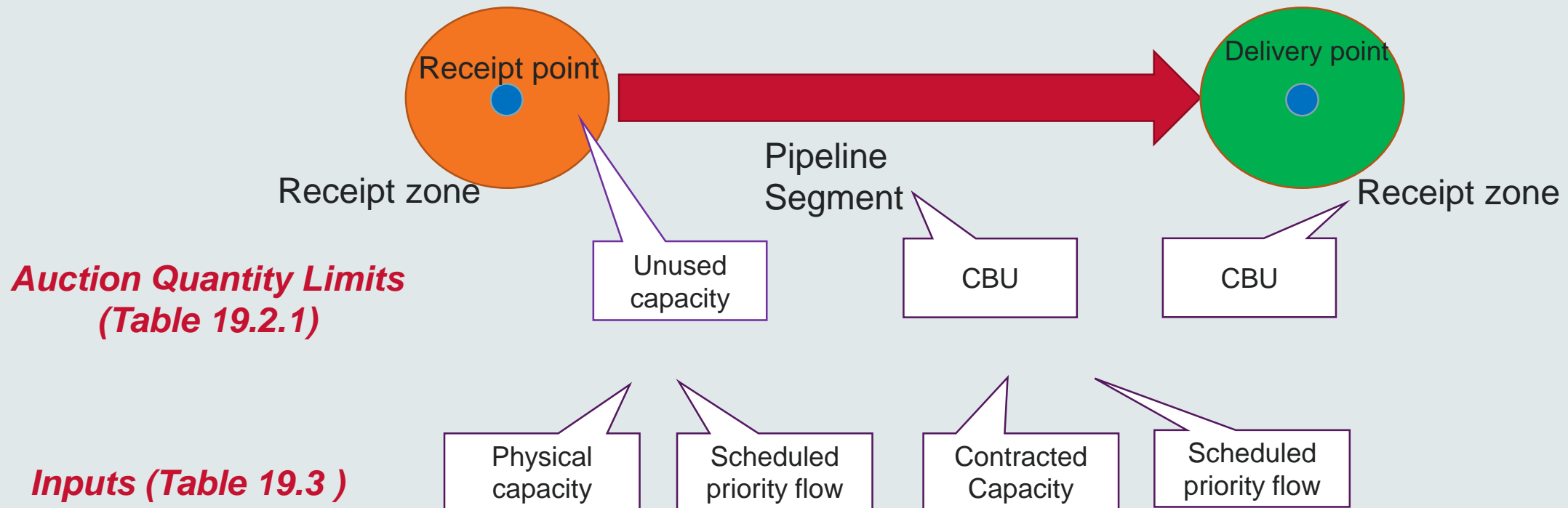


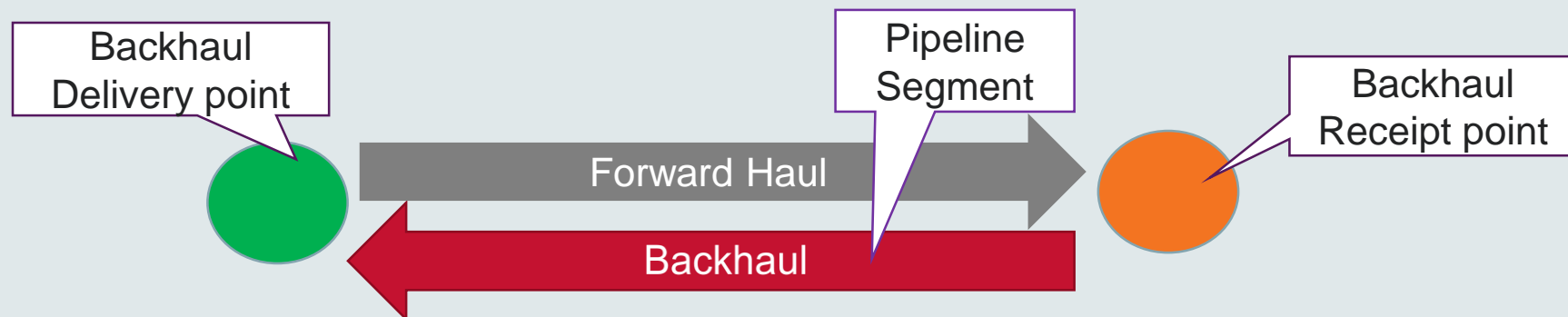
Table 19.3

Quantities and terms used in the calculation of Auction Quantity Limits



Components of a backhaul product

- 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.

Backhaul Component	Forward Haul Delivery Point	Forward Haul Receipt Point
Receipt Point	Scheduled net priority flow at the forward haul delivery point	Unused capacity at the forward haul receipt point
Delivery Point	Unused capacity for the forward haul delivery point	Scheduled net priority flow at the forward haul receipt point
Backhaul Pipeline Segment	Scheduled net priority forward haul flow for the backhaul pipeline segment between the backhaul receipt point and backhaul delivery point.	

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

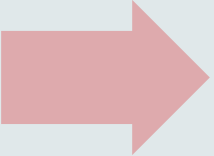
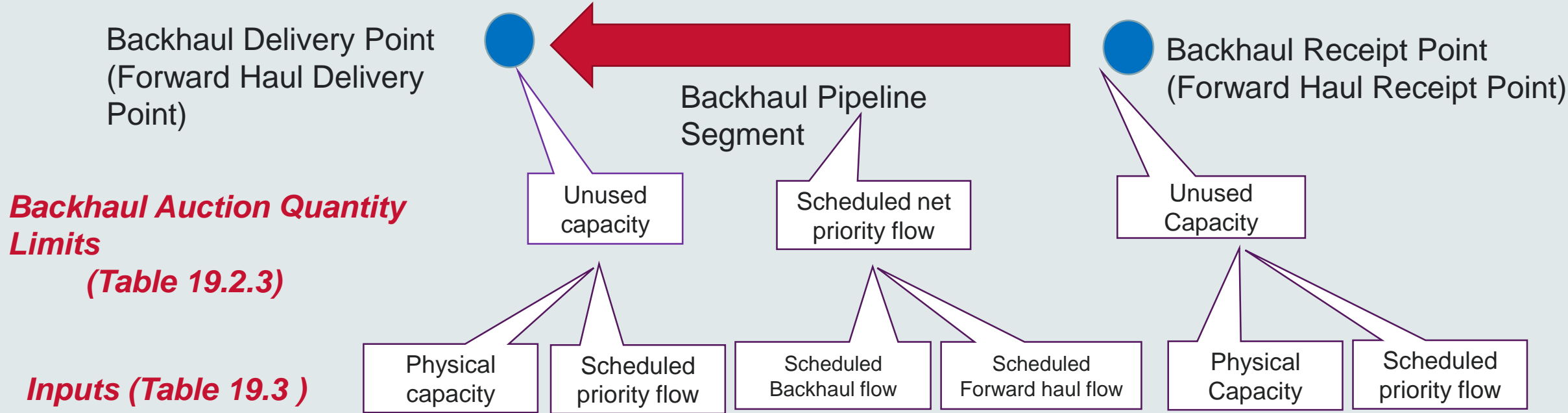


Table 19.3
Quantities and terms used in the calculation of Auction Quantity Limits



Auction Procedures – Market Parameters (Section 18)

Item	Market Parameter
Minimum Bid Price	\$0/GJ
Maximum Bid Price	\$50/GJ
Minimum Bid Quantity	1 GJ
Maximum Bid Quantity	10000 GJ (not yet specified in the Procedures)
Bid Increment	1 GJ
Maximum Bid Steps	10

Q6: Please provide any feedback on the proposed market parameters for the auction.

Public Auction Reports

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

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

Private Reports

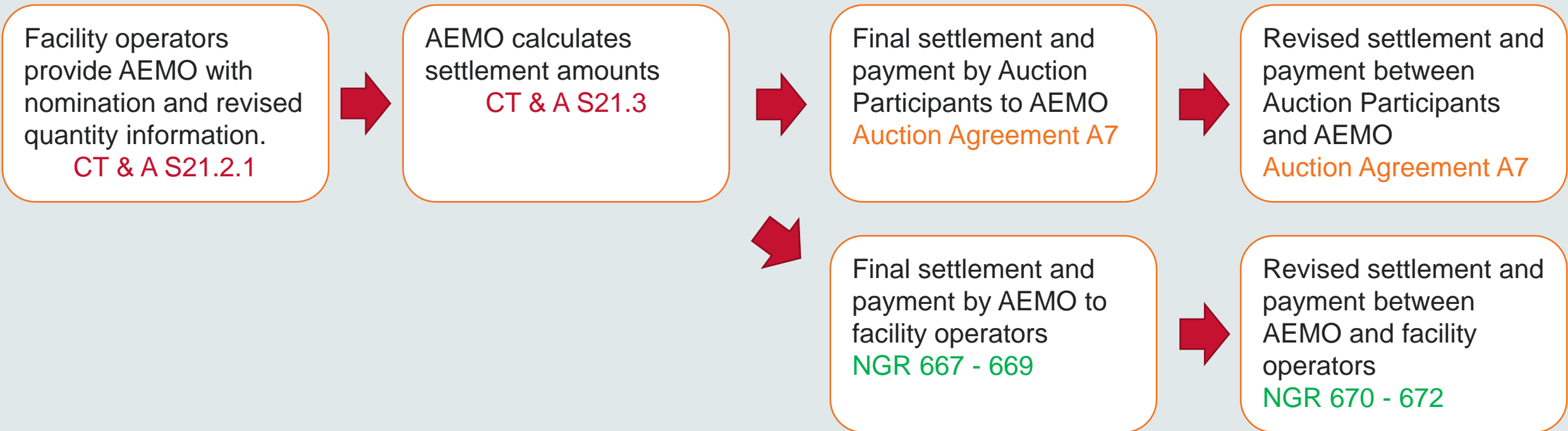
Report	Recipient	Description	Timing
Bid confirmation	Auction Participants	Provides the participant with a record of bids successfully submitted to the system	On bid submission
Participant Auction Results	Auction Participants	A report providing the participant's cleared auction quantity and price for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

Q8: Please provide any feedback on the proposed private reports for the auction.

Settlement and Prudential

Auction Settlement

High level settlement process



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.