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Capacity Transfer and Auction Procedures and Gas Supply Hub Exchange Agreement

AGL Energy (**AGL**) welcomes the opportunity to comment on the Australian Energy Market Operator's (**AEMO**) Capacity Transfer and Auction Procedures (**CTA Procedures**) and Gas Supply Hub Exchange Agreement (**GSH Exchange Agreement**).

AGL is one of Australia's leading integrated energy companies and the largest ASX listed owner, operator and developer of renewable generation. AGL has a long history of involvement in Eastern Australian gas markets and aside from delivering gas to over 1.4 million customers, AGL also utilises gas in power generation, is a gas shipper and owns gas facilities across the east coast.

As a general observation, AGL remains concerned with the day-ahead auction, particularly the complexity it introduces to the gas markets, and for shippers and consumers of gas. Given the risks of curtailment, we remain concerned that participants will not use the auction product.

AGL also continues to be concerned that the capacity trading platform and day-ahead auction are to be introduced on the same date. These reforms have a high level of detail and complexity, and industry would benefit from a planned but staggered introduction date for the auction after the trading platform so that shippers can adapt to the platform before the auction becomes live.

Comments on the draft documents are attached.

If you have any queries about this submission, please contact Jenessa Rabone on (02) 9921 2323 or JRabone@agl.com.au.

Yours sincerely,

Meng Goh

Senior Manager Regulatory Strategy

Attachment A: Responses to consultation questions

	Questions	Feedback
Capacity Transfer and Auction Procedures		
1.	<p>Division 1 - General <i>(Registration, Service Points, Zones, Pipeline Segments, Register, Facility Agreement Information, CTP Communications)</i></p> <p>1. Do you have any feedback in relation to the provisions common to the Capacity Trading Platform and Capacity Auction as set out in clause 1 to 6?</p>	<p>AGL suggests that the CTA procedures explicitly note that facility operators cannot be auction participants on their own facilities.</p>
2.	<p>Division 2 – Capacity Trading Platform <i>(Application of Timetable, Trades and transfers, STTM & DWGM Integration, Termination of primary GTA)</i></p> <p>2. Do you have any feedback in relation to the Capacity Trading Platform provisions as set out in clauses 7 to 10?</p>	
3.	<p>Division 3 – Capacity Auction <i>(Eligibility, Administration, Auction platform, components and solver, Auction cancellation or exclusion, Running the auction, Auction quantities, Auction results, Auction settlement, prudential and reporting)</i></p> <p>3. Do you have any feedback in relation to Capacity Auction provisions as set out in clauses 11 to 24?</p>	<p>AGL has some concerns and comments regarding Agent Participants:</p> <ul style="list-style-type: none"> • Joint and several liability: It is unclear why Appointing Members are jointly and severally liable for the acts of the Agent Participant. <p>We note that if Agent Participants are jointly and severally liable with Appointing Participants, either AEMO may find it difficult to find parties to be Agent Participants, or Agent Participants would require Appointing Participants to indemnify them from such joint and several liability.</p>

	Questions	Feedback
		<p>AGL suggests that AEMO consider whether the “usual” agency approach could be used. The Appointing Participant would be liable for actions of its Agent, but then may seek to recover from the Agent in particular circumstances only (i.e. where they have acted outside the scope of their authority, not in accordance with instructions, gross negligence, etc.). This would likely be governed by a contractual relationship between the Appointing Participant and Agent Participant.</p> <p>In addition, we note that clause 13.2(i) seems to be at odds with clause 13.2(h)(iv). Clause 13.2(h)(iv) notes that all acts and omissions of the Agent Participant are taken to be acts and omissions of the Appointing Participants. Whereas clause 13.2(h)(iv) states that Agent Participants and Appointing Participants will have joint and several liability.</p> <ul style="list-style-type: none"> • Indemnity: It is AGL’s understanding that the DWGM is unable to adjust/revise schedules. The reforms include instances where the allocated winner of capacity under the auction may be curtailed due to the exercise of renomination rights by the original holder. AGL understands this is no longer for discussion, however it remains concerned about the winner of capacity having to provide an indemnity to absolve AEMO of responsibility in the event of a curtailment. Can AEMO please clarify: <ul style="list-style-type: none"> ○ What is intended to occur in these instances? ○ The basis AEMO needs and is seeking the indemnity? ○ If the intent is that the allocated capacity winner take on the risk?
4.	<p>Division 4 – Transitional <i>(Compression Facility Information, Transitional firm services, Existing transportation facilities)</i></p>	

	Questions	Feedback
	<p>4. Do you have any feedback in relation to Transitional Arrangements as set out in clauses 25 and 26?</p>	
5.	<p>Schedule 1 – Capacity Transfer and Auction Timetable Pre Oct 2019 <i>(Timetable for the transfer of capacity for day-ahead and forward trades, operation of auction)</i></p> <p>5. Do you have any feedback in relation to the pre-gas day harmonisation timetable as set out in schedule 1?</p>	
6.	<p>Schedule 2 – Capacity Transfer and Auction Timetable From Oct 2019 <i>(Timetable for the transfer of capacity for day-ahead and forward trades, operation of auction)</i></p> <p>6. Do you have any feedback in relation to the pre-gas day harmonisation timetable as set out in schedule 2?</p>	<p>AGL would appreciate an example of the Daily Service Continuity Payment. AGL was not aware of capacity trading platform revenue being transferred to a facility operator.</p>
7.	<p>Appendix A – Auction Agreement <i>(Agreement between AEMO and Auction Participant covering the terms of participation in the Capacity Auction)</i></p> <p>7. Do you have any feedback in relation to the Auction Agreement?</p> <p>8. The agreement allows for an agent to be appointed by appointing members, either jointly appointed (such as parties to an unincorporated joint venture) or appointed individually but under the one agreement (such as related bodies corporate appointing a</p>	

	Questions	Feedback
	<p>member of a corporate group as agent). As currently provided for under the Exchange Agreement, the appointing members are jointly and severally liable for the acts of the agent (which means the joint venture parties or within the corporate group must manage liability between the appointing members themselves). Is there interest in providing for a different type of agent appointment where the appointing members are severally (not jointly) liable for the acts of the agent (for example, an aggregator acting as agent for unrelated third parties)?</p>	
GSH Exchange Agreement		
8.	<p>General <i>(Definitions, clause 10, 25)</i></p> <p>9. Do you have any feedback in relation to registration provisions?</p> <p>10. Do you have any feedback in relation to listing service provisions?</p> <p>11. The agreement allows for an agent to be appointed by appointing members, either jointly appointed (such as parties to an unincorporated joint venture) or appointed individually but under the one agreement (such as related bodies corporate appointing a member of a corporate group as agent). As currently provided for under the Exchange Agreement, the appointing members are jointly and severally liable for the acts of the agent (which means the joint venture parties or within the corporate group must manage liability between the appointing members themselves).</p>	

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	<p>Is there interest in providing for a different type of agent appointment where the appointing members are severally (not jointly) liable for the acts of the agent (for example, an aggregator acting as agent for unrelated third parties)?</p>	
9.	<p>Capacity Products <i>(Capacity Product List document)</i></p> <p>12. Do you have any you have any feedback in relation to capacity products?</p>	<p>AGL notes that several zones have 'no day ahead tenor' and understand this is in relation to the STTM's. AGL would appreciate confirmation by AEMO that no delivery points outside the STTMs exist in the delivery zones that have been included in the 'no day ahead tenor' products.</p>
10.	<p>Delivery Process <i>(Clause 12, 14)</i></p> <p>13. Do you have any you have any feedback in relation to the delivery of capacity transactions?</p>	
11.	<p>Settlement <i>(Clause 14A.6, 17, 18, 20, GSH Settlement and Prudential Methodology)</i></p> <p>14. Do you have any you have any feedback in relation to the settlement of capacity transactions?</p>	