Submissions - East Coast Wholesale Gas Market and Pipeline Frameworks Review

This document sets out a summary of stakeholder submissions to the AEMC's Stage 2 Draft Report (December 2015) and supplementary Pipeline Access Discussion Paper (March 2016).

It also sets out the AEMC's response to the issues raised. Note that where stakeholder views relate to the same issue, they have been grouped together in the table and responded to by the AEMC collectively.

While efforts have been taken to accurately and completely represent stakeholder positions, for an unabridged understanding of submissions, stakeholders are directed to the submissions themselves, available at the AEMC's website.

This summary of submissions has been prepared by the staff of the AEMC.

Table A.1 Summary of submissions

- Submissions are in response to the Stage 2 Draft Report unless otherwise stated.
- References to chapters, sections and page numbers are to the Stage 2 Final Report unless otherwise stated.
- Submissions made with regard to information and the Gas Bulletin Board (the subject of Chapter 6 of the Stage 2 Final Report) are either reported directly in the Stage 2 Final Report (Information Provision) or, where not reported directly, summarised in Appendix C of that report.

General Views

Stakeholder	Comment	AEMC response
AEMO, p. 1; AER, p. 2.	The draft recommendations are broadly supported, but some areas relating to DWGM and STTM require further consideration.	Noted. The Commission will continue to develop its recommendations with regard to the DWGM as it progresses the Review of the Victorian DWGM.
EUAA, p. 2; Santos, p. 1; APPEA, p. 2; MEU, p. 7; PIAC, p. 9.	Achieving the Vision will also require more competitive supply. It is unfortunate that systemic issues such as this did not form part of the review.	Noted. The Commission's terms of reference did not include supply issues.
EUAA, p. 2.	The assessment framework and application of the NGO is robust.	Noted.
EUAA, p. 8.	The AEMC should advise how gas availability at hubs would be impacted by NGERAC Emergency Protocol.	This issue should be considered by the GRG as the reforms are developed.
AGL, p. 1; Uniting Care, pp. 5-6.	Supports the Vision but further detail must be developed with further inclusion of industry and consumers.	Noted. The GRG should be tasked with developing the detail of the reforms, in close collaboration with stakeholders.
GDF Suez, p. 2.	The Vision is supported, as it captures the desirable features of markets that are both liquid and geographically focused, as well as providing supply and investment signals.	Noted.
Santos, p.11; AER, p.2; EUAA, p.2; SACOSS p.1; QGC, p.1; EnergyAustralia, p.1; Central Petroleum, p.1; PACIA, p.1.	Support the general direction of the review and the Energy Council's vision for the gas market.	Noted.

Stakeholder	Comment	AEMC response
Origin, p. 1.	The proposed reforms will assist in achieving the COAG vision. A measured and incremental approach is an appropriate means of progressing market development.	Noted.
AEC, p. 1.	The recommendations to develop liquid wholesale gas markets are supported, including harmonisation and standardisation.	Noted.
PACIA, p. 1.	The recommendations address the lack of transparency in the market. The Stage 2 draft report is a welcomed, comprehensive and considered piece of analysis.	Noted.
ERM, p. 1; MEU, pp. 3, 11.	The AEMC should prioritise developments related to information provision and pipeline capacity trading. The current markets already provide much of the COAG Energy Council vision and do not require reform.	Noted. The GRG should be tasked with developing the detail of the reforms, in close collaboration with stakeholders. The Commission will continue to develop its recommendations with regard to the DWGM as it progresses the Review of the Victorian DWGM.
RWE, p. 1.	A Northern physical gas hub and a Southern virtual gas hub are supported.	Noted.
St Vincent de Paul, CUAC & SACOSS, p. 1.	The recommendations are expected to improve transparency and price disclosure, lower barriers to entry, promote competition and enhance efficient market operation.	Noted.
GDF Suez, pp. 3-4.	The proposed reforms are appropriately targeted towards addressing the most apparent deficiencies in the current gas markets.	Noted.
UnitingCare, p. 6.	The direction of the proposals is appropriate and is supported. The roadmap has a very high likelihood of generating net benefit for consumers and a very low likelihood of increasing consumer detriment.	Noted.
AEC, p. 3.	Long term legacy contracts should be protected.	Noted. For example, the AEMC has recommended that counterparties to existing contracts should not be materially disadvantaged through the standardisation process. See section 5.3.1.

Stakeholder	Comment	AEMC response
Adelaide Brighton Cement, p. 1.	Reforms must be in the long term interests of Australian gas consumers.	Noted.
PACIA, p. 2.	The AEMC should explain whether it has considered the needs of chemistry feedstock users (e.g. the non-substitutability of ethane and methane).	The Gas Access Regime under the NGL and the Natural Gas Services Bulletin Board do not apply to ethane infrastructure or markets. While the Commission notes the issues raised, its remit does not extend to ethane. Nevertheless, the Commission has discussed these matters in section 1.3 and the COAG Energy Council may wish to consider these further.
PACIA, p. 2.	Any changes to the market, in particular to the STTM, should be tested against the objectives of curtailment arrangements.	This issue should be considered by the GRG as the reforms are developed.
PIAC, p. 9.	The findings should be presented in a form that end-users can understand. For example, what a liquid market looks like, and on monitoring and transition mechanisms to ensure that customers are protected.	Noted and agree that this is important. Chapter 3 reflects this in terms of setting out how the reforms should be implemented, including how the development of the reforms should be assessed (section 3.2).
St Vincent de Paul, CUAC & SACOSS, p. 1.	Redesigning and reforming the existing framework should be prioritised because of the significant gas price increases.	Agreed.
St Vincent de Paul, CUAC & SACOSS, p. 1.	The draft recommendations are critical for setting the right framework to promote enhanced residential gas retail competition.	Noted.
UnitingCare, pp. 1-5.	Review is important in the context of rising residential gas prices and questions about whether gas is an essential service.	Noted.
GDF Suez, p. 1.	Given the unprecedented variations in the volumes and patterns of gas flows across the east coast, it is important for industry and governments to assess the durability of current markets and ensure that arrangements provide participants with a suitable level of liquidity and flexibility to trade gas in the short term as well as the long term.	Agreed.

Stakeholder	Comment	AEMC response
EUAA, p.6.	The implicit assumption that different demand profiles will mean that participants will trade with each other is simplistic. It cannot be expected that companies will embrace market trading and company boards will need evidence that liquidity exists in the market and the availability of hedging products in order to authorise trading activities.	Noted. Consideration is being given by the AEMC to the development of liquidity in facilitated gas markets as part of its ongoing Review of the Victorian DWGM.
GDF Suez, p. 2.	The gas market arrangements have been reasonably successful, but there is now concern that these have evolved into three different and complex hub designs. The designs of the DWGM and STTM have made it difficult for secondary trading and other risk management mechanisms to evolve.	Agreed. See chapter 5 for a discussion of recommendations regarding harmonising the east coast of Australia's facilitated gas markets.

Cost benefit analysis

Stakeholder	Comment	AEMC response
EUAA, p. 13.	A full cost benefit analysis would be difficult to undertake, as it would depend on assumptions used to measure the benefits. As much work should be undertaken as possible to quantify the costs for users.	The Commission has engaged PwC to undertake an estimate of the costs and benefits of the draft recommendations. See section 2.2.
ESSO, pp. 1-2; AGL, p. 1; AEC, p. 3; APPEA, p. 2; MEU, p. 3.	It is essential that any recommendations are supported by a robust cost benefit analysis.	
EnergyAustralia, p. 1; APA, p. 3.	Further development of operational details is required to allow a more informed assessment of net benefits.	
APGA, p. 1.	It is not clear that the benefits accruing from some of the substantial changes recommended are justified by their costs, particularly the virtual hub in Victoria.	
Santos, p. 11; MEU, p. 19.	Some of the approaches may result in a fundamental change to how businesses currently operate which will result in significant costs for businesses. Only those recommendations that have a clear benefit should be progressed.	

Implementing the initiatives

Stakeholder	Comments	AEMC response
APGA, p. 5 (Submission to Discussion Paper); Stanwell, p. 1 (Submission to Discussion Paper).	The AEMC has provided an accurate analysis of the benefits and disadvantages of regulatory and industry led approaches for implementing the reforms.	The AEMC has carefully weighed the arguments made with regard to implementing the initiatives, and has recommended an implementation approach which balances industry and regulatory-led processes. In summary, the Commission recommends that the COAG Energy Council: * establish, through an inter-governmental agreement, a dedicated Gas Reform Group (GRG) with a full-time project management office tasked with developing the package of changes to the NGL, NGR and any subordinate instruments to implement the Commission's recommended wholesale gas and pipeline capacity market reforms (Recommendations 1-8). The GRG should take into account any preferred and suggested design elements outlined by the Commission; * progress an amendment to s74(1)(a) of the NGL to give the AEMC a rule making power with regard to the regulation of pipeline capacity trading arrangements; * task the Commission with providing a biennial report on growth in liquidity in wholesale gas and pipeline capacity trading markets; * make the necessary amendments to the NGL and Regulations to add new reporting entities to the Bulletin Board framework; * propose to the Commission changes to the NGR that, among other things, establish a new reporting model and reporting standard, and a new registration framework for the Bulletin Board; and * request that AEMO immediately progress the Commission's recommended Bulletin Board improvements that do not require changes to the NGL, Regulations or NGR. See chapter 3.
Jemena, p. 1; QGC, p. 1.	Key proposals should be implemented through an industry-led approach and a dedicated team to coordinate reform.	
APA, p. 1; APA, p. 1 (Submission to Discussion Paper); Epic, pp. 1-2 (Submission to Discussion Paper); Jemena, pp. 1-2 (Submission to Discussion Paper).	Further gas market development should be led by market participants and not through regulatory intervention.	
APGA, pp. 1, 5 (Submission to Discussion Paper).	An industry led approach that is supported by appropriate regulatory change can implement capacity auctions and trading platforms rapidly and at a lower cost than through a regulatory process.	
Santos, p. 1 (Submission to Discussion Paper); AEMO, p. 1 (Submission to Discussion Paper); EnergyAustralia, p. 3 (Submission to Discussion Paper); Stanwell, p. 1 (Submission to Discussion Paper); QGC, p. 3 (Submission to Discussion Paper); Australian Energy Council, p. 1 (Submission to Discussion Paper); Origin, p. 1 (Submission to Discussion Paper).	The process should be industry led with regulatory oversight.	
Major Energy Users, pp. 1-2 (Submission to Discussion Paper).	An industry led process is acceptable, but all of industry should be involved and should have freedom to diverge from the AEMC's preferences. The decision making process should be unanimous. There needs to be an independent chair - AEMO would be suitable. The AER should have responsibility to ensure that the final outcomes are equitable and appropriate.	

Stakeholder	Comments	AEMC response
QGC, p. 1.	To ensure focused delivery, the AEMC should have an on-going and direct role in overseeing the implementation.	
Engie, p. 6 (Submission to Discussion Paper).	An industry led approach may result in different arrangements on different pipelines. The overall policy and rules should be set out in advance by AEMC and the COAG Energy Council. Industry could then design the agreements, procedures and trading mechanisms.	
APLNG, p. 1 (Submission to Discussion Paper).	The process should be AEMC led with active industry participation. While there may be some benefits to an industry led approach, regulatory oversight is necessary because there may be a wide range of views on certain issues.	
EnergyAustralia, p. 3 (Submission to Discussion Paper); Origin, p. 1 (Submission to Discussion Paper).	The AEMC should be involved in or an observer to the Industry Council or the working groups. This would enable it to facilitate rule changes, identify issues and flexibly manage the delivery of the projects.	
QGC, p. 3 (Submission to Discussion Paper).	Some regulatory oversight is important because industry stakeholders have competing interests and the interests of pipeline operators is not necessarily aligned with other stakeholders.	
PIAC, p. 3 (Submission to Discussion Paper).	A regulatory approach would provide greater benefits and certainty that reforms are in the long term interests of consumers. The ACCC have stated that the threat of regulation is not enough. If there is a council, it should include consumer representatives.	
APGA, p. 6 of Attachment A (Submission to Discussion Paper).	The reforms should be further developed and implemented through a new governance body (an Industry Council). Working groups under the Industry Council would develop relevant standards and identify legislative or regulatory changes required for implementation.	
Australian Energy Council, p. 1 (Submission to Discussion Paper).	Implementation of changes must be staged with periodic assessment of the efficacy of the changes and a cost/benefits analysis.	

Stakeholder	Comments	AEMC response
QGC, p. 1.	Success for the transition of the market will depend on implementation over the next 3-5 years and delays should be avoided.	
Santos, p. 4.	Efforts to increase liquidity in the secondary capacity trading market should be industry driven.	
QGC, p. 1.	A post 2020 capacity trading review is important to allow a flexible approach.	
APGA, p.3.	The proposed changes will take time to have an influence on market participants' behaviour. Further reviews should not be held within 2 or 3 years of implementation.	

Southern Hub

Stakeholder	Comments	AEMC response
AEMO, pp. 5-6.	Considers the Southern Hub model is an appropriate model for further assessment against the Vision. However, believe a further phase of analysis and evaluation of the Southern Hub model against the existing market is required to validate the suitability of the model to the DTS and the benefits of transitioning away from current arrangements.	To achieve the Energy Council's Vision and promote the NGO, the Commission recommends transitioning the existing DWGM and market carriage arrangements in Victoria to a new Southern Hub gas trading model. On 13 May 2016, the Victorian Government extended the period of time within which the AEMC must undertake its Review of the Victorian Declared Wholesale Gas Market. The reason for the extension is to allow the AEMC to undertake additional consultation with stakeholders and further analysis. This additional work is to be undertaken and the review completed by October 2016.
AER, pp. 2-4.	AER consider there is insufficient detail to form a view in support of the Southern Hub or otherwise.	
AGL, p. 2.	Not convinced introduction of voluntary exchange based trading will improve liquidity. Suggest further consideration be given to how participants would be encouraged to trade to avoid reducing transparency in the market. Concerned about value of imbalance change and role of hub operator in terms of impact on new entrants. Does not consider draft report has clearly demonstrated a definite problem with pipeline investment that warrants move to entry-exit.	
APA Group, p. 6.	APA is concerned that the proposed scheme of entry-exit allocation of capacity has been recommended primarily on the basis of similar schemes having been adopted in the United Kingdom and Europe. There are, however, fundamental differences of context between the Australian east coast gas market and the gas markets in the United Kingdom and Europe in which entry-exit allocation schemes have been implemented. Whether these contextual differences will ultimately allow implementation of the proposed entry-exit scheme in Victoria is, in APA's view, still an open question. The analysis reported in the Stage 2 Draft Decision is not sufficient to define the issues and to enable answers to be developed.	

Stakeholder	Comments	AEMC response
APGA, p. 14.	APGA can see no improvements in outcomes, compared to current arrangements, which would justify the high cost of change. Maintaining two distinct markets over Eastern Australia will enable the existing tensions between market structures to continue. APGA notes that the Commission has declared that transitioning the DTS to a contract carriage arrangement is too complex. APGA's preliminary analysis suggests that the transition to an entry-exit model is no less so.	
EnergyAustralia, pp. 5-7.	**Trading** – EnergyAustralia supports the changes at this stage, but cannot give a full assessment until the details are worked through. **Balancing** – We do not believe it is necessary for a transitional balancing mechanism as it would add significant costs for both AEMO and participants for a measure that is only temporary. **Entry – exit** – At this stage of the design we support the adoption of the entry-exit model.	
ERM Power, p. 2.	Agree with general view that DWGM has met its original objectives of supporting retail competition and encourage diversity of supply and upstream competition. Given market has generally been functioning effectively, question whether complete overhaul of trading arrangements is required. Believe logical step is for targeted and incremental changes to address known issues (in particular those related to risk management and allocation).	
Esso, p. 1.	Support ongoing and phased implementation of reforms to enhance the market but concerned about high costs that will be incurred to develop and implement major change. Each recommendation should be supported by a robust CBA. Support recommendation to use common trading platform to facilitate trading in Victorian and across markets on the east coast.	

Stakeholder	Comments	AEMC response
EUAA, pp. 5-6, 8.	Generally agree with the thrust of AEMC package of reforms and support the creation of the virtual hub in Victoria. Agree that bilateral contracts will remain a fixture of the market. While welcome availability of more sophisticated ways for users to manage their gas portfolios, expect any move to hub based trading to be slow – note importance of increased competitive supply of gas into the market and fact that energy trading is not a core business of many members.	
GDF Suez, p. 2.	GDFSAE believes that the design concepts proposed by the AEMC for the Southern Hub are worthy of further consideration and that they appear to have the potential to alleviate some of the challenges experienced in the existing facilitated market. That said, GDFSAE is conscious that facilitated markets by their very nature introduce arbitrary boundaries and the AEMC is cautioned not to introduce one form of deficiency in exchange for another.	
Jemena, p. 21.	Further work should be undertaken to ascertain whether the benefits arising from changes to current arrangements would outweigh these costs.	
Major Energy Users, p. 4.	The MEU considers that wholesale change to the gas markets as proposed is not warranted although improvements could be instituted. The MEU is concerned that the needs of Victorian consumers are being put into a secondary position to the needs of the other east coast gas consumers and just as importantly secondary to the potential needs of the LNG exporters.	
Origin Energy, p. 3.	Origin supports the intent of the proposed changes set out in the Draft Report but considers that in order to be definitive in their views a number of issues will need to be clarified; and a thorough cost benefit analysis would need to be undertaken.	

Stakeholder	Comments	AEMC response
PIAC, p. 9	Generally supportive of the package of recommendations but cautious that there has not been enough emphasis on translating these into a form end-users are able to understand and from which they can discern the impacts of the changes. Recommend the transition from current model to the entry/exit system and trading and balancing arrangements happen simultaneously, and that there be an opportunity for public comment before implementation.	
Santos, p. 4.	The recommendations in the Stage 2 Draft Report will have a substantial impact to the Victoria wholesale gas market. While these changes appear to address some of the known issues that the review was undertaken to resolve, Santos would welcome further detailed information on the continuous exchange based trading and the entry–exit capacity allocation, including how existing measures will be transitioned to any new Southern Hub.	
Uniting Care, p. 6.	The further consolidation of the Northern Hub at Wallumbilla, with a focus on gas for the international market; coupled with the development of the Southern Hub, in Victoria, to primarily support residential gas use makes sense to Uniting Care as sound gas market improvement.	

Northern Hub

Stakeholder	Comments	AEMC response
Adelaide Brighton Cement, p. 5.	Considers that the Moomba Hub is a more natural and logical candidate to be developed into a fully functioning gas supply hub than Wallumbilla. Wallumbilla is serviced by only one pipeline and cannot act as a gas transit point other than to its LNG customers in Gladstone or on a much smaller scale, the Brisbane market.	Wallumbilla has the advantage of being in a region with substantial demand, including LNG, gas-fired generation, industrial and retail, as well as production and storage. It is also at the intersection of three major pipelines. Moomba is located close to production and storage, but is more a transit hub for gas being consumed at other locations.
AEMO, p. 3.	Supports the development path outlined for the Northern Hub. In terms of future consideration of a virtual hub, it is important for the AEMC to consider the transmission network and congestion management as part of this analysis.	Noted.
AER, p. 5.	Supports AEMO's work in continuing the evolution of the Wallumbilla hub to improve liquidity. The extent to which participants respond to the "Optional Hub Services" arrangements will help inform policy options to further develop the market.	Noted.
AGL, p. 3.	AGL supports the recommendation to concentrate trading in the Northern region of the East Coast gas market at the Wallumbilla Gas Supply Hub. AGL has reservations regarding the recommendation to proceed with the Optional Hub Services at Wallumbilla. The limited providers of hub services in the region may not result in increased liquidity at the hub. If the hub services model is introduced, this function should be independently operated and, if necessary, regulated.	The Commission considers it prudent to build on the existing GSH market design framework so that it has the best possible chance of meeting the Energy Council's Vision. Over the longer term, the Commission's view is that the Wallumbilla GSH may need to transition from a physical hub to a small virtual hub in order to promote the Energy Council's Vision.
APA Group, pp. 6-8.	APA sees the recommendation of the Stage 2 Draft Report to concentrate trading at Wallumbilla as a recommendation for continued development of the gas market in a direction signalled by market participants. APA supports that continued development. APA does not consider that a virtual hub would be required if a balancing mechanism was implemented at Wallumbilla.	See AGL response above.

Stakeholder	Comments	AEMC response
APGA, p. 14.	APGA supports the recommendation for the Wallumbilla Gas Supply Hub to act as the focal point for a physical Northern Hub. Supported by a liquid secondary capacity market, the Northern Hub represents a logical progression from existing arrangements and is likely to provide additional benefits for minimal cost.	Noted.
APLNG, p. 3.	APLNG agrees with the further development of a Northern Hub at Wallumbilla that continues to evolve with the market. Definitive balancing and pooling arrangements should be developed by each pipeline or by the hub operator and these arrangements should be standardised.	Noted.
ERM Power, p. 1.	ERM Power supports the AEMC's proposal to enhance the existing Wallumbilla GSH and establish it as a Northern Hub for gas trading. With respect to the proposal to develop Wallumbilla into a single trading zone, our view is that the market should be given some further time to operate to allow the needs of the market to energy prior to making any major changes.	See AGL response above.
EUAA, p. 8.	The EUAA agrees with the recommendations relating to the Northern Hub at Wallumbilla.	Noted.
GDF Suez, p. 3.	A key question for the success of the proposed Northern Hub is whether a sufficient level of liquidity is likely to develop. Expanding the Northern Hub to a larger virtual hub has conceptual appeal and suggests a way to better manage liquidity concerns, but as noted in the Draft Report, may be cost prohibitive. Nonetheless, the AEMC is well placed to critically appraise the suitability and value of the proposed hubs services model and make recommendations that perhaps industry has been unable or unwilling to.	The Commission considers it prudent to build on the existing GSH market design framework so that it has the best possible chance of meeting the Energy Council's Vision. Over the longer term, the Commission's view is that the Wallumbilla GSH may need to transition from a physical hub to a small virtual hub in order to promote the Energy Council's Vision.
Jemena, p. 20.	Jemena is broadly supportive of the Commission’s proposed approach to the continued development of Wallumbilla, which is still in relatively early stages of its development. It is appropriate to continue building on these arrangements to ensure that reforms are proportional to the issues at hand and clearly promote the National Gas Objective.	Noted.

Stakeholder	Comments	AEMC response
Major Energy Users, p. 16.	It should be noted that the MEU has long been a supporter of a supply hub at Wallumbilla and the AEMC proposal reinforces this point.	Noted.
Origin Energy, p. 2.	Origin continues to support the implementation of a single hub product at Wallumbilla through the adoption of the optional hub services model, as this should assist in improving participation and liquidity. Not convinced that a virtual hub is a necessary requirement for an efficient and robust market at Wallumbilla.	Noted.
PIAC, p. 4.	Supports the development of the Southern and Northern Hubs and simplification of the market design, on the basis that it should reduce the costs of participating in the market and improve price discovery.	Noted.
QGC, p. 5.	QGC considers there is value in maintaining a physical trading point at Wallumbilla and determining whether the proposed Optional Hub Services and the capacity auctions are effective in building liquidity. In order to concentrate liquidity in the northern region, further steps are likely to be necessary. Recommends commencing work on design of virtual trading point around Wallumbilla.	The Commission is recommending that a Northern Hub be established and located at Wallumbilla, with existing physical trading limitations addressed in the first instance through implementation of Optional Hub Services. The Commission recommends that any additional work to expand the geographic scope of the Wallumbilla GSH be considered and progressed through the Gas Reform Group.
RWE Supply & Trading, p. 1.	RWE broadly supports the AEMC's plan to develop a Northern physical gas hub and a Southern virtual gas hub on the east coast. Whilst our preference is for virtual hubs as they tend to be less complex and offer more trading flexibility and have lower barriers to entry, the characteristics of the pipeline network at Wallumbilla appear to justify maintaining a physical hub at this stage.	Noted.
Santos, p. 2.	Supports the current AEMO design of the Wallumbilla Gas Supply Hub which includes the optional hub services model. Sees the potential for increased risk to GLNG if gas was freely able to move through the region without gas specification controls: a virtual hub would increase this risk.	Natural gas infrastructure operating on two different gas specifications could present a barrier to trade and the achievement of a liquid wholesale gas market. The ACCC's position, with which the Commission concurs, is that the Energy Council should monitor this issue and ensure that any costs associated with a non-standard gas specification are borne by the market participants that required that alternative specification.
Stanwell, p. 5.	Stanwell supports the AEMC’s decision to retain the Wallumbilla Hub as a physical hub.	Noted.

Moomba

Stakeholder	Comments	AEMC response
Adelaide Brighton Cement, p. 5.	Supportive of the continued development of a Moomba supply hub and is preparing to participate in the hub. Development of a Moomba GSH with compulsory participation will provide greater trading opportunities, liquidity and price transparency.	While not explicitly part of the Northern Hub, a Moomba GSH is likely to be an appropriate transitional measure to provide trading flexibility until the Northern and Southern Hubs, and capacity trading, mature. Over time, Moomba could establish itself as a transit point for gas flowing between hubs, particularly when the Northern Gas Pipeline is built connecting Tennant Creek in the Northern Territory to Mt Isa in Queensland.
AEMO, p. 5.	AEMO believes that providing there is effective and efficient access to pipeline capacity then multiple spot markets at physical gas trading hubs can support efficient allocation and utilisation of gas and provide a signal for the efficient use of, and investment in, gas infrastructure.	See Adelaide Brighton Cement response above.
APGA, p. 14.	APGA considers that the development of a supply hub at Moomba is less than ideal as it will increase complexity and dilute trading concentration.	Noted.
EUAA, p. 3.	A key to market development is access to upstream gas to trade and provide liquidity. A hub at Moomba will provide that in a relatively simple, low cost way.	See Adelaide Brighton Cement response above.
PIAC, p. 4.	It appears that the development of a Moomba hub is counterproductive to the recommendations and measures outlined in the review and appears to demonstrate a lack of coordination between AEMO and AEMC.	Noted.
RWE Supply & Trading, p. 1.	Moomba could develop as a satellite hub once trading at the Northern and Southern Hubs has developed.	See Adelaide Brighton Cement response above.
Santos, p. 3.	Santos agrees that a Moomba GSH is a good transitionary step to help promote liquidity in the market. The Moomba Gas Supply Hub is perfectly positioned to enable all producers another avenue to multiple market demand centres as it allows access to a number of important east coast transmission pipelines.	Noted.

STTM

Stakeholder	Comments	AEMC response
Adelaide Brighton Cement, p. 4.	Any changes to the STTM structure should only be contemplated post 2020 if security of supply, liquidity and price transparency is further improved.	The Commission proposes to advise the Energy Council on the appropriate time to simplify the STTM hubs through its biennial review of trading liquidity.
AEC, p. 3.	Support a review of the STTM hubs to find ways to simplify and lower costs for participation.	Noted.
AEMO, p. 7.	AEMO supports further consideration of a simplified STTM design as it has the potential to focus liquidity at the gas trading hubs (Wallumbilla, Moomba and Victoria).	Noted and agree.
AGL, p. 3.	AGL supports increasing commonality of the STTMs and implementing changes that complement wider energy market changes (such as balancing markets).	Noted.
APA Group, p. 9.	APA agrees that trading markets based on capital cities may continue to provide balancing services which support competition in major retail markets for gas, but the locations of those markets are not points of pipeline interconnection at which significant trading activity might be expected. As the volumes of transactions increase in the Southern Hub, and in the north at Wallumbilla, the STTMs might be pared back as the AEMC suggests.	The Commission recommends the STTM hubs be simplified to purely support the trading of daily imbalances. This will reduce transaction costs for participants who have to engage with these markets on a daily basis, while still providing a transparent and competitive balancing arrangement. The Commission proposes to advise the Energy Council on the appropriate time to simplify the STTM hubs through its biennial review of trading liquidity.
APGA, p. 14.	APGA supports the proposed evolution of the STTMS as trading hubs and capacity markets evolve.	Noted.
ERM Power, p. 5.	Removal of STTM will create barriers to entry, but accept AEMC's proposal to only proceed with changes if other reforms have led to sufficient trading liquidity.	Noted.
EUAA, p. 10.	The EUAA agrees with the recommendations relating to the simplification of the STTMs.	Noted.

Stakeholder	Comments	AEMC response
GDF Suez, p. 3.	GDFSAE agrees that simplifying the Brisbane STTM to form a balancing service is appropriate. The manner in which this occurs requires further consideration but the proposal suggests that Brisbane gas demand will be increasingly dependent on Wallumbilla supply. Whether this is appropriate for the Adelaide and Sydney hubs requires additional discussion. Issues of liquidity aside, a reduction in complexity at across the STTM's is desirable.	Noted and see APA Group response above.
Major Energy Users, p. 16.	The MEU considers the STTMs provide a useful purpose in setting the price for gas at points of significant consumption and that the phasing out of this price clarity at these points of consumption will be a loss for consumers at those points.	Under the recommended market framework, the Commission envisages most trading to occur at the Northern and Southern Hubs as this will be where liquidity is high and transaction costs lowest. Improvements to the accuracy and timeliness of information provision, as well as access to pipeline capacity, will support exchange-based and bilateral trading at these locations.
Origin Energy, p. 3.	We have previously stated that a major deficiency of the STTMS is their complexity. Origin therefore agrees with the recommended simplification of the STTMs and the plan to narrow their focus to balancing.	Noted.
PIAC, p. 4.	PIAC supports the simplification of the STTM but would like more information about how the AEMC will determine whether the market has reached the level of liquidity required to move to the simplification of the STTM.	The Commission proposes to advise the Energy Council on the appropriate time to simplify the STTM hubs through its biennial review of trading liquidity.
QGC, p. 5.	Investigate the conversion of the STTM's to balancing markets earlier than planned. While relatively thin markets, they could be contributing to the lack of liquidity in upstream markets. We suggest at a minimum converting the Brisbane STTM to balancing, which would shift wholesale trading to the Wallumbilla GSH.	Noted and see APA Group response above.
RWE Supply and Trading, p. 1.	As liquidity develops at the Northern and Southern Hubs, the STTM hubs and Moomba GSH could conceivably develop as satellite hubs where traded prices are set as a basis to the Northern and Southern Hub prices.	Noted and see APA Group response above.

Stakeholder	Comments	AEMC response
Santos, p. 3.	Santos agrees with the evolution of the STTM, moving to a balancing market ensuring that trade is concentrated at the hub trading locations, with the view to providing a reliable reference price. Determining when there is sufficient liquidity in the Northern and Southern Hubs as well as the ability to access pipeline capacity will require further analysis.	Noted and see APA Group response above.
Stanwell, p. 5.	Investigate transitioning STTM's to balancing markets earlier than planned. Suggest at a minimum converting the Brisbane STTM to balancing, which would shift wholesale trading to Northern Hub.	Noted and see APA Group response above.

General comments on transportation capacity markets

Stakeholder	Comments	AEMC response
Adelaide Brighton Cement, p. 4; AEMO (cover letter); AER, p. 6; AGL, p. 3; APLNG, p. 1; APPEA, p. 3; EUAA, p. 9; ESSO, p. 1; GDFSuez, p. 1; Major Energy Users, pp. 3, 21; Origin, p. 1; QGC, p. 2; RWE, p. 2; SACOSS, St Vincent de Paul and CUAC, p. 1; Uniting Care Australia, p. 6.	Broadly supportive of draft recommended reforms to capacity trading, which are very important.	The Commission agrees that transportation capacity markets are an important component of the reform package. It has made a suite of recommendations to improve secondary capacity markets. See chapter 5.
AEMO, p. 1 (Submission to Discussion Paper); APLNG, p. 1 (Submission to Discussion Paper); EnergyAustralia, p. 1 (Submission to Discussion Paper); Engie, p. 1 (Submission to Discussion Paper). QGC, p. 1 (Submission to Discussion Paper).	Supports the development of pipeline capacity markets, subject to specific comments on particular issues.	Noted.
Origin, p. 1 (Submission to Discussion Paper).	The recommendations on pipeline capacity trading are supported to varying degrees, but provide a useful starting point to achieving the COAG Energy Council's vision.	Noted. See chapter 3 for the Commission recommendations with regard to implementing the reform through a Gas Reform Group.
QGC, p. 3.	There is little incentive for self-initiated industry led reform on pipeline issues.	
APA, p. 1 (Submission to Discussion Paper); APGA, p. 3 (Submission to Discussion Paper); Epic, p. 1 (Submission to Discussion Paper); Jemena, p. 1 (Submission to Discussion Paper).	The recommendations on pipeline access are generally supported but should be implemented through an industry led process.	
APA, p.6.	Concerned that in focusing on the concentration of trading activity at two hubs, and on the facilitation of pipeline access to those hubs, the Stage 2 Draft Report focuses on the transportation sector of the gas market. The market for gas – for the commodity itself – is ignored.	Noted. The Commission has made a suite of recommendations to commodity markets, capacity markets and information provision which collectively should provide the pre-conditions for a more liquid commodity market to develop.

Stakeholder	Comments	AEMC response
Jemena, pp. 1-2.	Encouraged by the AEMC's recognition of the importance of long term investment signals. Agrees with the incremental improvement of contract carriage for pipelines outside of Victoria.	The Commission considers it appropriate to improve contract carriage arrangements for pipeline outside Victoria, and has made a suite of recommendations to improve secondary capacity markets. See chapter 5.
AGL, p. 1 (Submission to Discussion Paper).	Developing a strong framework for secondary capacity trading is worthwhile. However, liquidity could be improved by shifting to a form of regulated pipeline coverage or shifting away from contract carriage.	
EUAA, p. 9.	When assessing the recommendations with regard to the NGO, the AEMC should not place investment certainty ahead of the long term interests of consumers.	Noted. The Commission's recommendations are made with regard to the long-term interests of consumers.
Santos, p. 4.	There is currently little current demand for short term capacity trades.	The Commission considers that a well-functioning secondary capacity market is crucial to a well-functioning commodity market. To the extent that demand for capacity trades is currently low, the Commission expects demand may rise as the east coast gas market becomes more dynamic.
APA Group, p. 2.	Concerned that there is still little evidence that pipeline access is an issue. If trading is not taking place, and the Stage 2 Draft Report indicates that that is the case, then the reasons why need to be understood.	
Central Petroleum, p. 1 (Submission to Discussion Paper).	While generally supportive of the capacity trading recommendations, they do not directly address supply issues.	Noted. The Commission's terms of reference did not include supply issues.
Santos, p. 1 (Submission to Discussion Paper).	Further details are required to successfully articulate the case for change and to identify some of the potential benefits and pitfalls that the changes in pipeline capacity trading may deliver.	Noted.
AER, p. 6.	It is appropriate for those roles assigned to the AER in the draft report are performed by the AER.	Noted.
Australian Energy Council, p. 1 (Submission to Discussion Paper).	Not enough time was provided for stakeholders to provide detailed comments, given the length of the discussion paper and importance of the topic.	Noted.

Day-ahead capacity auction for contracted but un-nominated transport services

Stakeholder	Comments	AEMC response
QGC, p. 1-4; APGA, pp. 1, 2; APA Group, cover letter and p. 1; AEMO, p. 1; PIAC, p. 6; RWE, p. 2; ERM, p. 5; APPEA, p. 3; ERM, p. 4 (Submission to Discussion Paper); QGC, p. 5 (Submission to Discussion Paper); AEMO, p. 2 (Submission to Discussion Paper); AGL, p. 2 (Submission to Discussion Paper); ENGIE, p. 4 (Submission to Discussion Paper); APA, p. 12 (Submission to Discussion Paper); EnergyAustralia, p. 1 (Submission to Discussion Paper); Central Petroleum Limited, p. 2 (Submission to Discussion Paper); Jemena, p. 6; EnergyAustralia, p. 2, 3.	General support for an auction for contracted but un-nominated capacity.	Noted.
ERM, p. 5.	The auction alone may be sufficient to incentivise capacity trading. A possible approach may be to implement the auction first, with the need for other reforms reassessed at a later date.	The GRC should consider whether it is appropriate for some transportation capacity market reforms to be implemented as a priority. Nevertheless, the Commission considers that all of the recommended reforms should, in time, be implemented.
Stanwell, p. 2.	Unsure as to how the day-ahead auction will provide any additional incentive to trade capacity ahead of the auction. Firm shippers currently receive nothing if they do not sell the capacity that they do not plan to nominate, and this is not proposed to change.	Some shippers may have an incentive not to sell capacity. Determining the likely future value of capacity and making a judgement whether to sell it is not a core business function for many shippers. The cost and effort of doing so, and the risk of being short of capacity if the sale occurs a long time before the nomination cut-off time, may exceed the revenue generated. See section 5.2.1.
Santos, p. 5.	There is not currently a limited incentive for a shipper to trade capacity.	
Stanwell, p. 2.	Questions the usefulness of the day-ahead auctions, as the auction will be too late to coordinate with gas purchases.	Noted. The GRG should consider the appropriate timing of the auction, taking into account the timing of the gas commodity market.
Stanwell, p. 2.	The auction design and implementation process will be complex.	Noted. The GRG should be tasked with developing this reform.

Stakeholder	Comments	AEMC response
GDFSuez, p. 3.	Further consideration is needed on the specific auction design, as there are a number of potential issues. However, GDFSAE does not believe these issues to be insurmountable	
APPEA, p. 3.	The market mechanism (eg auction) should aim to balance the efficiency of pipeline transportation services while ensuring existing property rights are preserved and that there are no adverse impacts on future pipeline investment.	
QGC, p. 1-4.	Consideration should be given to extending the auction concept to capacity that is auctioned longer than day-ahead.	The Commission does not recommend the immediate introduction of a long term use-it-or-lose-it (UIOLI) mechanism. However, should the recommended auction for contracted but un-nominated capacity combined with improvements to facilitate secondary capacity trading result in insufficient levels of trade, then the Commission recommends that the introduction of a long term UIOLI mechanism should be re-considered. See section 5.2.3.
AGL, p. 3.	Considers that the auction may have limited take up. At times of peak demand, the full contracted capacity may be nominated by the incumbent shippers, which will mean there will be limited un-nominated capacity to auction. At other times, demand for capacity will be low.	The Commission considers that there may be an incentive for shippers to not sell contracted capacity which they do not wish to use but which is valued by other shippers. Determining the likely future value of capacity and making a judgement whether to sell it is not a core business function for many shippers. The cost and effort of doing so, and the risk of being short of capacity if the sale occurs a long time before the nomination cut-off time, may exceed the revenue generated. See section 5.2.1.
QGC, pp. 5-7 (Submissions to Discussion Paper).	Rather than focus on the specific detail of the auction design, the AEMC should define a set of high level principles for the auction. Such principles include: maximising participation and competition, maximising available capacity, price outcomes that reflect supply and demand fundamentals, the publication of relevant information, maximising flexibility and minimise risk, minimising costs.	The Commission has provided required, preferred and suggested transportation capacity market outcomes, including with regard to the design of the auction. Where the Commission has confirmed that a particular outcome is necessary this has been reflected in formal recommendations and the GRG should be required by the COAG Energy Council to further develop the package of regulatory changes which delivers it. In other cases, GRG is better placed to consider the specific details of the reforms, given the expertise of its members. In these cases, preferred or suggested outcomes have been stated. See section 3.1.1 and table 5.1.

Stakeholder	Comments	AEMC response
EUAA, p. 10.	The auction will not undermine incentives for investment.	The Commission acknowledges that on some occasions, shippers would be able to access very-short term capacity at a potentially low price (ie, at or just above the reserve price) on the occasions that they require it, without the long term commitment of a take-or-pay contract used to underwrite investment. This could, theoretically, create a free-rider effect, whereby shippers do not underwrite capacity because they are able to buy cheaper capacity underwritten by another shipper. However, the Commission does not consider that this is likely to be a material issue in practice for day-ahead auctions of contracted but un-nominated capacity. Very few, if any, shippers would be able to rely solely on day-ahead capacity to manage their gas needs, or the gas needs of their customers, over any medium to long term period. The majority of gas users are either relatively inflexible in their usage (for example, residential gas customers) or require a relatively consistent supply of gas to justify sunk investment in immovable assets (for example, a factory). See section 4.2.1 of the Stage 2 Draft Report.
QGC, p. 3.	The short-term nature of the market should also ensure that propriety rights and the incentives for long-term investment in pipelines are not compromised.	
Stanwell, p. 2; Origin, p. 2; APA Group, pp. 13-14; APGA, p. 3; APGA, p. 20 (Submission to Discussion Paper).	Concerned that shippers' incentives to buy capacity on the secondary market or through primary GTAs may be diluted by the possibility of buying cheaper capacity through the auction. The recommended auction may result in free-rider effects and discourage efficient investment.	
AEMO, p. 1; ERM, p. 5.	The auction should have a regulated reserve price.	The Commission has considered the appropriate reserve price for the auction and recommends that this should be zero, with compressor fuel to transport gas along capacity purchased provided by shippers in-kind. This reflects the Short Run Marginal Cost (SRMC) and will be simple to implement. See section 5.2.4.
APLNG, p. 2.	The auction reserve price should be based on the actual SRMC.	
APA Group, cover letter and p. 1.	Costs of running the auction should be recovered by way of an approved process.	

Stakeholder	Comments	AEMC response
APGA, p. 5; APA Group, cover letter and pp. 1, 12; EUAA, p. 9; APGA, p. 21 (Submission to Discussion Paper); Stanwell, p. 9 (Submission to Discussion Paper); Epic, p. 6 (Submission to Discussion Paper); ERM, p. 6 (Submission to Discussion Paper); APLNG, p. 5 (Submission to Discussion Paper); APA, p. 16 (Submission to Discussion Paper); QGC, p. 9 (Submission to Discussion Paper); AGL, p. 3 (Submission to Discussion Paper).	The reserve price should be zero, with compressor fuel provided in-kind.	
APLNG, p. 1; AEMO, p. 10 (Submission to Discussion Paper); APLNG, p. 5 (Submission to Discussion Paper).	Amount of capacity to be auctioned should be determined under a methodology set by the AER.	
APA Group, pp. 12-13.	There is no requirement for any explicit determination of the amount of contracted but un-nominated capacity to be auctioned, and no role for extended regulation or for the economic regulator to be involved in the process.	The Commission understands that determining the quantity of technically feasible contracted but un-nominated capacity is a relatively trivial calculation, such that it could be directly set out in the NGR, or determined by the pipeline owners through a process approved by the AER. See section 5.2.4.
APA, p.14 (Submission to Discussion Paper).	The pipeline operator should have to make determinations of the capacity to be made available for auction. These determinations cannot be made using a simple formula which might be codified in rules, or which might be made subject to prior approval by a third party such as the AER.	
APGA, p. 6.	At a basic level, the amount of capacity to be auctioned should be equivalent to the contracted firm capacity less the nominations received. However, there will be further operational matters to consider due to matters introduced by the auction, trading platforms and the required standardisation.	

Stakeholder	Comments	AEMC response
Epic, p. 7 (Submission to Discussion Paper).	In allocating capacity, consideration should be given to bi-directional pipelines where available capacity will be subject to nominations for primary capacity.	Noted. The GRG should take this into consideration when designing the auction.
Stanwell, p. 1; Origin, p. 1; EnergyAustralia, pp. 2-4; Australian Energy Council, p. 2; AGL, p. 3; Australian Energy Council, p. 2 (Submission to Discussion Paper); AGL, p. 3 (Submission to Discussion Paper).	Concerned that auction will impact renomination rights for incumbent shippers, which are relied upon.	Nominations and renominations by incumbent shippers after the auction is conducted should be accommodated. The GRG should determine the appropriate means by which this is achieved, building upon the analysis undertaken by the AEMC and stakeholder submissions to this process. See section 5.2.4.
EnergyAustralia, pp. 4-5 (Submission to Discussion Paper).	It is essential that participants maintain the opportunity to renominate pipeline capacity as required. This could be problematic when there is physical congestion, such that capacity that is won in the auction is interrupted. As a result, it is not clear that overall the outcomes of the auction on a physically congested pipeline will be efficient. This issue requires further consideration.	
GDFSuez, p. 4.	Renomination rights should be carefully considered, to ensure the appropriate balance between long-term contractual rights and short-term trading incentives.	
Santos, pp. 5-6.	Renominations are common and important. Any changes brought about by the implementation of a capacity auction process must ensure that firm shippers are not required to re-purchase their own capacity through the auction process if they want to renominate.	
ERM, p. 5.	Renominate after the auction should be accommodated, providing there is still available capacity.	
APGA, p. 22 (Submission to Discussion Paper).	The issue of re-nomination rights is not highly material. Renominations are typically accommodated but are rarely a contracted right.	
QGC, pp. 8-9 (Submission to Discussion Paper).	While the concern with re-nomination has been raised, it is unclear from information to date as to the extent of these concerns.	

Stakeholder	Comments	AEMC response
APGA, pp. 3-4.	Issues arising in the auction design from existing nomination and re-nomination rights should be managed on a pipeline by pipeline basis.	
QGC, p. 4.	Concerns regarding renomination rights arise from the introduction of the auction should be addressed through the consultation process.	
APGA, p. 8.	To ensure existing renomination rights are not removed, it is likely capacity acquired through auction will need to be interruptible.	
APA, p. 17 (Submission to Discussion Paper).	Auctioned capacity should be sold as interruptible.	
APLNG, p. 5 (Submission to Discussion Paper).	Capacity sold at auction should be firm, at least initially. Some capacity should be withheld so that existing shippers can re-nominate increases throughout the day. Once total renominations volume exceeds capacity withheld, further renominations should be rejected.	
Epic, p. 7 (Submission to Discussion Paper).	Auction capacity should be made available on an interruptible basis.	
Origin, pp. 3-4 (Submission to Discussion Paper).	The AEMC's acknowledgement of the potential for the proposed auction to restrict the ability of capacity holders to re-nominate capacity is welcomed. If a decision is made to have an auction for contracted un-nominated capacity this should be for interruptible capacity only.	
Stanwell, p. 10 (Submission to Discussion Paper).	The best compromise between the rights of existing shippers who rely on their renomination rights and auction participants is the AEMC's "withhold some capacity" option. This option will guarantee the release of a certain portion of relatively firm capacity.	
AGL, p. 3 (Submission to Discussion Paper); QGC, pp. 1, 8-9 (Submission to Discussion Paper).	A combination of withholding capacity and interruptible capacity should be pursued.	

Stakeholder	Comments	AEMC response
Stanwell, p. 2; Stanwell, p. 11 (Submission to Discussion Paper); Santos, p. 4 (Submission to Discussion Paper); EnergyAustralia, p. 5, Submission to Discussion Paper).	Capacity allocated in the auction should be curtailed ahead of firm capacity.	The preferred outcome is for capacity purchased in the auction to be curtailed before firm capacity. Curtailment arises due to physical congestion – more capacity has been scheduled than can be physically shipped by the pipeline system (for example due to an asset failure). It therefore does not directly relate to the auction rationale. See section 5.2.5.
APLNG, p. 5 (Submission to Discussion Paper).	Auctioned capacity should be curtailed sooner than primary firm capacity. However auctioned secondary capacity should be at least as firm as renominations - if you place auctioned capacity below renominations; this would make it as available capacity rather than firm.	
QGC, p. 9 (Submission to Discussion Paper).	"Firm" capacity either acquired under contract or through the auction should be treated equally and curtailed on a prorated basis. Conversely, interruptible capacity would be first in the curtailment order.	
APLNG, p. 2.	The curtailment priority for capacity purchased under the auction should be further reviewed, and standardised.	
Epic, p. 7 (Submission to Discussion Paper).	A first price auction settlement should be used to establish the curtailment order.	
APLNG, p. 2.	Consistent nomination cut-off times will be important, particularly on the same pipeline (and potentially across different pipelines).	The GRG should consider the appropriateness of harmonising nomination cut-off times.
Origin, p. 2.	Nomination cut off times should not be harmonised, to allow market participants to tailor their requirements.	
Santos, p. 5.	Harmonising nomination cut-off times will be complex.	
QGC, p. 4.	For the auction to be workable, we would expect that shipper nomination cut-off timeframes would need to be standardised.	

Stakeholder	Comments	AEMC response
AEMO, p. 2.	Further consideration should be given to the inclusion of uncontracted capacity in the auction. Pipeline operators could voluntarily add their uncontracted capacity to the auction or it could be mandatory for the uncontracted capacity (or a portion of the capacity) to be included in the auction.	The Commission suggests that pipelines that are not fully contracted should be exempt from the auction on a case-by-case basis. The GRG should consider this suggestion in greater detail as it develops the auction design. See section 5.2.6.
AEMO, p. 10 (Submission to Discussion Paper).	The exemption of pipelines from the auction should be avoided because: * there would be costs associated with setting up and maintaining the regulatory framework for providing exemptions. * there is potential for unintended consequences of exemptions. For example, the timing of long-term contracting for pipeline services may be amended so that the pipeline qualifies for an exemption.	
APA Group, p. 8; APGA, pp. 6-7; Jemena, p. 3 (Submission to Discussion Paper); APA, p. 15 (Submission to Discussion Paper); APGA, p. 20 (Submission to Discussion Paper); Stanwell, p. 9 (Submission to Discussion Paper); Stanwell, p. 9 (Submission to Discussion Paper); Epic, p. 4 (Submission to Discussion Paper); APLNG, p. 4 (Submission to Discussion Paper).	Pipelines that are not (near) fully contracted should be excluded from the requirement to run an auction.	
AEMO, pp. 1-2.	It is not clear that measures are required to exempt pipelines with low levels of contracted capacity from the auction.	
APLNG, p. 2; Santos, p. 6; APGA, p. 9; GLNG, pp. 7-8 (Submission to Discussion Paper); APLNG, p. 4 (Submission to Discussion Paper).	Pipelines servicing a single facility should be exempt from the auction.	Pipelines servicing a single facility should be exempt from the auction. See section 5.2.5.

Stakeholder	Comments	AEMC response
APA Group, p. 15.	Where a pipeline serves a single facility, there may be little to be gained from the implementation of an auction process for contracted but un-nominated capacity. However, this would not be the case for pipelines serving LNG facilities.	
QGC, p. 8 (Submission to Discussion Paper).	There is limited value in applying the auction to pipelines that service a single user and in our view this should capture the LNG facilities.	
APLNG, p. 2.	Multiple shipper pipelines, including those under 15-year coverage exemptions should be required to conduct the auction.	The Commission considers that the GRG should undertake further work to determine an appropriate methodology for determining exemptions. See section 5.2.6.
GLNG, pp. 1-9 (Submission to Discussion Paper).	The auction should not apply to pipelines that are the subject of a no-coverage determination. The auction is precisely the type of access and price intervention which a no-coverage determination is intended to provide exemption from, such that application of the auction is directly at odds with the stated purpose of a non-coverage determination. Application of the auction to pipelines that are the subject of a no-coverage determination would materially chill investment and disrupt substantial investments that have already been made.	
APLNG, p. 2.	Capacity released through auction should either have whatever balancing mechanism held by primary capacity holder (linepack or balancing tolerances etc) or should be standardised in this regard.	The GRG should be tasked with developing the terms and conditions for auctioned capacity products. See section 5.3.
APA Group, p. 14.	Shippers will play an important role in ensuring that the terms and conditions on which auctioned capacity is made available are not restrictive. Regulatory oversight will not be required.	
APGA, p. 8.	The terms and conditions for capacity sold through an auction would not have to be set with regulatory oversight. It should be a relatively simple matter for pipeline operators, in discussion with market participants, to extend their published standard terms and conditions to auctioned capacity.	

Stakeholder	Comments	AEMC response
APA Group, p. 15.	In the short term, the auctioning of contracted but un-nominated capacity on covered pipelines should be consistent with the requirements of the access arrangements for those pipelines. In the longer term, if the AEMC's auction process is to be successful in opening up secondary markets for pipeline capacity, changes will be required in those access arrangements so that they are in accord with the new market conditions.	
ERM, p. 5.	There may need to be a registration process for shippers or default GTA for each pipeline.	
APGA, p. 8.	Market participants will have to enter prior arrangements with a pipeline operator to meaningfully participate in a capacity auction.	
Santos, p. 5; AGL, p. 4; Santos, pp. 3-4 (Submission to Discussion Paper); AGL, pp. 2-3 (Submission to Discussion Paper).	Incumbent shippers should receive the revenue from auction of contracted but un-nominated capacity.	The preferred method of allocating auction revenue is to distribute it to pipeline owners, after the costs of running the auction have been recovered. This is consistent with the status quo, as pipeline owners currently have the ability to sell as-available capacity. The Commission considers that revenue should not be allocated to the specific incumbent shipper who, in the absence of the auction, would have retained rights over the capacity. This is in order to maintain the incentive for shippers to sell capacity prior to the auction in order to recoup some revenue. See section 5.2.4.
APGA, p. 2; APGA, p 19 (Submission to Discussion Paper); AEMO, p. 9 (Submission to Discussion Paper); Australian Energy Council, p. 2 (Submission to Discussion Paper).	It is appropriate that pipeline operators receive the revenue from the auction. Currently, pipeline owners receive the revenue from the sale of contracted but un-nominated capacity. Allocation of residue to pipeline owners is likely to encourage primary contract holding shippers to participate in the secondary trading market ahead of the auction.	
ENGIE, p. 6 (Submission to Discussion Paper).	A portion of the auction revenue needs to be directed towards covering the costs of establishing and running the auction process itself, but beyond that, the auction revenue should be allocated to the shipper that has sold its capacity rights.	
APLNG, p. 4 (Submission to Discussion Paper).	The revenue from the auction should either be split residue between pipeline owners and AEMO, or allocate to AEMO.	

Stakeholder	Comments	AEMC response
EnergyAustralia, p. 6 (Submission to Discussion Paper).	In the event of a combinatorial bid being successful, the residue value should be allocated pro-rata. A Shapely value allocation method is overly complicated and does not necessarily deliver a more efficient outcome.	The GRG should consider the appropriate manner in which the auction revenue should be allocated between pipeline owners.
ENGIE, p. 4 (Submission to Discussion Paper); ERM, p. 6 (Submission to Discussion Paper); APLNG, p. 4 (Submission to Discussion Paper); EnergyAustralia, pp. 5-6 (Submission to Discussion Paper).	The auction should be combinatorial in format to address complementarities between pipeline segments.	The preferred outcome is a combinatorial auction. This will provide a platform where multiple buyers and multiple sellers can simultaneously coordinate trades, managing the complementarities between different pipeline segments. However, the additional cost due to the greater complexity of a combinatorial mechanism has not been estimated, and may be material. Further work by the GRG is needed to obtain an estimate of the relative magnitude of these costs and benefits. See section 5.2.5.
APA, p. 12 (Submission to Discussion Paper); APGA, pp. 16-17 (Submission to Discussion Paper).	Bids should specify price, receipt and delivery points and volume.	
APGA, p. 16 (Submission to Discussion Paper).	It is likely the most frequent occurrence will be shippers requiring capacity for the entire length of a pipeline. An auction of multiple segments of capacity is unnecessary and adds complexity.	
AGL, p. 2 (Submission to Discussion Paper).	The allocation of rights for the full length of each pipeline is preferred to simplify auction design. However, this may lead to inefficiencies. If multiple segments are the preferred outcome as suggested in the Discussion Paper, these must be offered in combination so bidders are not left stranded with unconnected segments.	
APGA, p. 18 (Submission to Discussion Paper); Stanwell, p. 8 (Submission to Discussion Paper); APLNG, p. 4 (Submission to Discussion Paper); APA, p. 13 (Submission to Discussion Paper); AEMO, p. 9 (Submission to Discussion Paper); AGL, p. 2 (Submission to Discussion Paper); EnergyAustralia, p. 6 (Submission to Discussion Paper).	Supports a single round auction.	The preferred option for this design outcome is a single round auction. A multi-round auction may be extremely difficult to implement in an already complex setting with multiple buyers placing bids for multiple items in various quantities, all having to be done quickly. A single round auction also minimises opportunities for anti-competitive behaviour including collusion between participants. See section 5.2.5.

Stakeholder	Comments	AEMC response
Stanwell, p. 8 (Submission to Discussion Paper); APLNG, p. 4 (Submission to Discussion Paper).	Support profit maximisation to determine winning allocation of bids.	The preferred method of determining the winning combination of bids is to maximise profit. For efficiency purposes, the optimal allocation should maximise economic surplus. This is equivalent to profit, assuming that bids are a real reflection of bidders' values. See section 5.2.5.
PIAC, pp. 5-6 (Submission to Discussion Paper).	Support capacity maximisation to determine winning allocation of bids.	
APGA, p. 18 (Submission to Discussion Paper); Stanwell, p. 8 (Submission to Discussion Paper); APLNG, p. 4 (Submission to Discussion Paper); APA, p. 13 (Submission to Discussion Paper); AEMO, p. 9 (Submission to Discussion Paper); AGL, p. 2 (Submission to Discussion Paper).	A first price rule is appropriate for reasons of simplicity.	The preferred option for this design outcome is a first price rule, under which bidders pay the value of their winning bid. See section 5.2.5.
EnergyAustralia, p. 6 (Submission to Discussion Paper).	Given that a combinatorial auction is important we agree that the first price rule (pay-as-bid) should be implemented.	
Stanwell, pp. 7-8 (Submission to Discussion Paper); APA, p. 14 (Submission to Discussion Paper).	The auction should be held on a per pipeline basis.	The preferred outcome for the auction's geographic scope is a single auction across the east coast market. From an efficiency perspective, a whole-network auction would optimise allocation across as many products as possible, given complementarities between different lengths of pipeline capacity. See section 5.2.5.
Jemena, p. 3 (Submission to Discussion Paper).	Allowing a less complex service to be developed initially, with scope for additional development if demand materialises in the future, is important given uncertainties which currently exist about the level of interest parties have in participating in the auction. This would involve auction systems being developed by each pipeline owner, and auctions being run for pipelines individually.	
APGA, pp. 17-18 (Submission to Discussion Paper).	It is unclear how strong complementarities between different pipelines are. It is likely that, at this time, there is not a very high level of multi-pipeline transport in the market. The current reforms are likely to change this. Attempting to address the ‘exposure’ problem across multiple pipelines would introduce substantial complexity.	

Stakeholder	Comments	AEMC response
QGC, p. 1, 3.	Priority should be given to implementing the auction on pipelines that are “strategically significant” to domestic trading points.	
QGC, p. 1 (Submission to Discussion Paper).	There is merit in prioritising implementation of the auction to pipelines that directly link traded markets.	
QGC, p. 7 (Submission to Discussion Paper).	The design should facilitate a multi pipeline auction to enable gas to flow from Queensland to the southern markets (and vice versa) across a number of pipelines with relative ease. A single pipeline auction design would not maximise the opportunity to access unutilised capacity (at least cost) across the integrated East Coast gas network.	
EnergyAustralia, p. 6 (Submission to Discussion Paper).	Shippers will require capacity across multiple pipelines, often owned by different parties. At this stage we do not see how multiple platforms can deliver the requirements to link sections of capacity in a single bid.	
AEMO, p. 9 (Submission to Discussion Paper).	It is likely that complementarities between pipelines will become stronger as we increasingly observe gas flow between southern and northern gas markets across multiple pipelines. The trading of gas between northern and southern gas markets appears to becoming more common. If this trend continues then it would be expected that demand for capacity across multiple pipelines would increase. However, the added complexity of a combinatorial auction may not be warranted if there are limitations placed on the implementation of the auction.	
Jemena, p. 3 (Submission to Discussion Paper).	Disagree with suggestions that as-available rights or services should be phased out as these do not detract from the auction's ability to allocate contracted but un-nominated capacity.	The suggested outcome is for as available rights in current GTAs to be phased out, as they will compete with the rights allocated in the auction, which effectively releases available contracted but un-nominated capacity on a daily basis. If as available rights are given priority over the rights purchased in the auction, this could mean that capacity is not being allocated to its highest value use, as there may be an auction participant(s) who values the capacity more. See section 5.2.6.
EnergyAustralia, p. 2.	It is unclear how existing as available contracts will be treated.	
APGA, p. 22 (Submission to Discussion Paper).	Contracted as-available rights should continue to be allowed.	

Stakeholder	Comments	AEMC response
QGC, p. 9 (Submission to Discussion Paper).	"As available" capacity could be inconsistent with the proposed auction.	
APGA, p. 19 (Submission to Discussion Paper).	Pipeline operators are the only entity with sufficient understanding of the operational capabilities of each pipeline to run an auction that delivers optimal outcomes with regard to maximising surplus. The introduction of a third party to conduct auctions will require pipeline to communicate with the middleman, bidders to communicate with the middleman, the middleman to communicate results to both and then successful bidders to communicate with pipeline operators. Pipeline operators can integrate auction systems within existing nomination systems.	There are multiple options for the appropriate body to conduct the auction. The appropriate choice relates to other aspects of the auction design and other secondary capacity trading recommendations including the management of the capacity trading platform(s), and the geographical scope of the auction (single pipeline or whole network), which have yet to be determined by the GRG. The Commission suggests there may be benefits in the auction being run by the same institution(s) which run the capacity trading platform (discussed in section 5.4.3). See section 5.2.6.
APA, p. 14 (Submission to Discussion Paper).	Auction should be run by individual pipeline operators as they have operational knowledge.	
AEMO, p. 9 (Submission to Discussion Paper).	A single party should run the auction – that could be AEMO or a joint venture between the pipeline operators. Further, the operation of the auction should be combined with operation of the capacity trading platform.	
PIAC, p. 6 (Submission to Discussion Paper).	AEMO should be the auction operator in addition to its role as trading platform operator and its existing capacities as market operator.	
APLNG, p. 4 (Submission to Discussion Paper); EnergyAustralia, p. 6 (Submission to Discussion Paper); AGL, p. 2 (Submission to Discussion Paper).	Auction should be run by AEMO.	
QGC, p. 7 (Submission to Discussion Paper).	The auction should be conducted by an independent third party operator and agree that AEMO appears the natural choice to conduct the auction.	

Stakeholder	Comments	AEMC response
Stanwell, p. 9 (Submission to Discussion Paper).	The auction should be extended to hub services. This is likely to enhance liquidity at Wallumbilla as shippers will feel confident trading knowing that they will be able to transport gas across the hub.	The Commission recommends that the auction be applied to hub services. See section 5.2.
APA Group, p. 8.	Supportive of an auction for hub services providing, most notably, that pipelines that are not fully contracted are excluded.	
APLNG, p. 2.	The auction should apply to compressor capacity at the Wallumbilla hub, to the extent possible.	
APLNG, p. 4 (Submission to Discussion Paper).	Compression, re-direction and hub services should also be auctioned to avoid exposure problem.	
QGC, p. 7 (Submission to Discussion Paper).	Longer-term, there might be value in extending the auction to other services. However, access to hub services (and or storage) is currently not materially impacting the level of gas trading and liquidity.	
Santos, p. 4 (Submission to Discussion Paper).	The potential extension of the auctioning on un-nominated capacity to hub services and compression specifically is of concern. Compression services have lower inherent availability than pipeline services due to the nature of the equipment required to be operated to deliver the service.	
Major Energy Users, p. 2 (Submission to Discussion Paper).	"Capacity hoarding" by shipper/retailers using capacity on laterals to prevent competition from other retailers is a major issue.	As part of its Inquiry into east coast gas markets, the ACCC has committed to future work to consider whether the availability or pricing of capacity on regional pipelines raises any concerns as a breach of the misuse of market power provisions or the exclusive dealing provisions of the CCA. See ACCC, Inquiry into the east coast gas market, April 2016.
APGA, p. 22 (Submission to Discussion Paper).	The auction is unlikely to provide sufficient remedy the issue of hoarding by shippers/retailers on lateral pipelines.	
Epic, p. 7 (Submission to Discussion Paper).	Oversell and buyback is not appropriate as it presents a risk to pipeline operators' costs.	Noted. The Commission is not recommending an oversell and buyback mechanism.

Stakeholder	Comments	AEMC response
ERM, p. 5 (Submission to Discussion Paper).	There should be a requirement for participants bidding in the auction to make bids in good faith that are reflective of their anticipated capacity needs, as well as a rule to prevent participants with no load connected to the pipeline from participating in the auction. This is necessary to address gaming risks.	Noted. The GRG should consider whether measures are appropriate to prevent shippers from deliberately over-nominating in order to reduce the amount of capacity available through the auction.
Major Energy Users, p. 21.	Measures will need to be considered to prevent a capacity holder from nominating all of its capacity but then not using it on the day, in order to prevent the capacity from being auctioned.	
APGA, p. 6.	There will need to be procedures in place to ensure that shippers do not nominate a high initial capacity before an auction in order to limit the availability of capacity to auction then subsequently lower nominations after the auction has been held.	
APLNG, p. 2.	Mechanisms should be in place to stop incumbent shippers from over-nominating capacity (to avoid it being sold in the auction) and then under delivering.	
Australian Energy Council, p. 2 (Submission to Discussion Paper).	The auction process needs to be developed with reference to the electricity market. Any procedures implemented need to ensure that both gas and electricity markets remain a level playing field for all participants.	Noted. The GRG should consider this issue as it develops the auction.
AEMO, p. 8 (Submission to Discussion Paper).	Consideration should be given to the process that occurs following the auction to incorporate successful auction bids into the pipeline operator schedule.	Noted. The GRG should consider this issue as it develops the auction.
RWE, p. 2.	In time, RWE hopes that a way can be found for primary unallocated capacity to be auctioned.	Noted. The GRG should consider this issue as it develops the auction.
Stanwell, p. 2.	Stanwell is concerned about the information that may be gleaned from the capacity available (or traded) at the auction relating to the operation of gas fired power stations. Because of this, the publication of traded day-ahead capacity volumes should be delayed until after the conclusion of the electricity day.	Noted. The GRG should consider this issue as it develops the auction.

Stakeholder	Comments	AEMC response
APGA, pp. 4-5.	Direct costs of developing and implementing the auction will need to be considered prior to an implementation system. Costs can be minimised by: * designing the auction mechanism to account for the specific operational and system requirements of each pipeline. * Pipeline operators implementing the auction. * A simple mechanism to establish the auction reserve price.	Noted. The GRG should consider this issue as it develops the auction.
APGA, p. 9.	Concerned about the application of regulatory involvement to uncovered pipelines. In this regard, APGA considers that a voluntary, industry-led auction process avoids the need to tread on the Coverage criteria.	The Commission does not consider that specifying the auction through regulatory mechanisms necessarily impinges on the Coverage criteria.
ERM, p. 5 (Submission to Discussion Paper).	The auction should occur towards the end of the gas day (rather than before the gas day).	Noted. The GRG should consider this issue as it develops the auction.
AEMO, pp. 1, 3.	Further consideration of the auction design should be given in the following areas: * Interface with the gas market, noting that sufficient time will need to be provided to allow participants to manage their portfolios. * Interaction with pipeline operations * the development of standardised products to be sold on the auction * How pipeline operators determine available un-nominated capacity for the auction and how this information is released to the market. * How participants bid for capacity. * The auction pricing mechanism (eg, pay as bid or cleared price)	Noted. Where not directly addresses in responses above, the GRG should consider these issues as it develops the auction.
SeaGas, pp. 2-3.	Further consideration of the auction design should be given in the following areas: * Definition of capacity services to be auctioned (eg, hourly vs daily; firm vs interruptible) * the relationship of auctioned services to pre-existing contracts * the auction process (eg, time of day for running the auction, the bidding window and auction settlement).	Noted. Where not directly addresses in responses above, the GRG should consider these issues as it develops the auction.

Stakeholder	Comments	AEMC response
Jemena, pp. 6-11.	Further consideration should be given to the following auction design features: * Implementation costs and timeframes (which will be lower and quicker through a market-led approach of implementing a day-ahead capacity auction) *Potential barriers to service take up (eg, coordination problems between commodity market and capacity auction, and the potential that participants place a low value on auctioned capacity when it is available) * The auction reserve price (which should be set through a simple process to reduce administrative costs) * How to determine the amount of capacity to be auctioned (which is likely to be relative non-complex, but would need to take account of pipeline maintenance and pre-sold as-available capacity) * Measures to preserve investment signals, such as exempting pipelines which are partially contracted) * The terms and conditions of capacity sold through the auction (which should not be set with regulatory oversight, which is inconsistent with the policy intent of the gas access regime), including the curtailment order. * The appropriate means to accommodate as-available services after the commencement of the auctioning mechanism.	Noted. Where not directly addresses in responses above, the GRG should consider these issues as it develops the auction.

Long term capacity use-it-or-lose-it mechanism (LTUIOLI)

Stakeholder	Comments	AEMC response
RWE, p. 2.	A LTUIOLI mechanism seems unnecessary at this nascent stage of market development, although it should be kept under review.	The Commission does not recommend the immediate introduction of a long term use-it-or-lose-it (UIOLI) mechanism. However, should the recommended auction for contracted but un-nominated capacity combined with improvements to facilitate secondary capacity trading result in insufficient levels of trade, then the Commission recommends that the introduction of a long term UIOLI mechanism should be re-considered. See section 5.2.3.
Jemena, pp. 14-15; APGA, p. 12.	Any future decision on implementing a LTUIOLI mechanism should be based on comprehensive analysis of costs and benefits, including for the demand for such products. "Insufficient levels of trade" is not a good enough rationale.	
Origin, p. 2.	Before any UIOLI measures could be justified, it would need to be conclusively demonstrated that the withholding of capacity was systemic in the market.	
Santos, p. 7.	There is no immediate need to introduce a long-term use it or lose it mechanism. There is no evidence that there is capacity hoarding and initial changes should be implemented and allowed to function for a period of time before the need for such a mechanism is reassessed.	
PIAC, p. 6.	If the ACCC finds evidence of anti-competitive behaviour, stricter mechanisms should be developed to ensure secondary capacity is released into the market. Consideration of long-term use it or lose it provisions should be included in this evaluation.	
EUAA, p. 9.	Can understand why LTUIOLI has been raised by the AEMC as a future possibility, given EUAA's members' experience with pipeline asset owners.	
Jemena, p. 14.	A LTUIOLI mechanism should not be implemented now. It could result in security of supply issues (ie, on peak days, if capacity has been lost).	
AGL, p. 4.	A LTUIOLI mechanism is unnecessary and heavy handed.	

Standardisation of primary and secondary capacity products

Stakeholder	Comments	AEMC response
AEMO, pp. 2, 4 (Submission to Discussion Paper).	While primary capacity standardisation is likely to be valuable, such reform is likely to have challenges. As such, efforts should be concentrated on standardising secondary capacity in the first instance.	The Commission recommends that the COAG Energy Council agrees to the standardisation of key primary and secondary capacity contractual terms for each pipeline and for hub services, which where possible and appropriate apply these standards across the eastern Australian gas market. The Gas Reform Group should consider the appropriate priorities for standardisation. See section 5.3.
AGL, p. 2 (Submission to Discussion Paper).	The take up of standardised primary capacity contracts would be limited, given the bespoke nature of the service related provisions. Likely to be greater benefit in developing standardised contracts for secondary capacity trading.	
Stanwell, pp. 3-4; Origin, pp. 1-2 (Submission to Discussion Paper); ERM, p. 2 (Submission to Discussion Paper); Stanwell, p. 2 (Submission to Discussion Paper); APGA, pp. 7-8 (Submission to Discussion Paper); EPIC, p. 2 (Submission to Discussion Paper); APA, p. 8 (Submission to Discussion Paper); Australian Energy Council, p. 2 (Submission to Discussion Paper); APA Group, pp. 16-17.	While efforts to standardise primary capacity is valuable, primary contracts should not be compulsorily standardised.	The Gas Reform Group should consider whether the adoption of standardised provisions should be compulsory, or if shippers and pipelines should be able to negotiate around any provisions. See section 5.3.2.
AEMO, p. 3 (Submission to Discussion Paper).	Allowing shippers to negotiate alternatives to standard provisions may undermine the efforts to standardise secondary trading arrangements.	
ENGIE, pp. 2-3 (Submission to Discussion Paper).	Although there should be sufficient flexibility to allow for bespoke primary contracts, there would need to be a regulatory mechanism in place to ensure that any such departure from the standard contract is justified (eg, prudential arrangements).	

Stakeholder	Comments	AEMC response
Santos, p. 6; APLNG, p. 3; Santos, p. 2 (Submission to Discussion Paper); APLNG, p. 2 (Submission to Discussion Paper); Stanwell, p. 3 (Submission to Discussion Paper); APGA, p. 7 (Submission to Discussion Paper); Origin p. 2 (Submission to Discussion Paper).	If primary capacity is standardised, existing GTAs should be grandfathered.	Counterparties to existing contracts should not be materially disadvantaged through the standardisation process. See section 5.3.1.
APLNG, p. 3.	It is not necessary to standardise primary capacity market, although it may be helpful.	Standardising operational, prudential and other contract provisions and, where feasible, developing common standards across pipelines (or compressors) and across contract types, will make it easier for shippers to trade capacity because fewer provisions will need to be negotiated. This applies to both primary and secondary contracts. While the Commission is satisfied of the need to standardise these types of provisions, the form that these standards will take and the manner in which they are implemented will be a matter for the GRG to consider and recommend. See section 5.3.2.
Jemena, pp. 13-14.	It may be possible to get secondary capacity standardisation without primary capacity standardisation.	
APLNG, p. 3; APLNG, p. 2 (Submission to Discussion Paper).	Supports standardisation of terms and conditions on individual pipes. Longer term, standardisation between pipelines should be attempted.	At a minimum, the Commission would expect common standards to be developed for the prudential provisions, other contract provisions, and many of the operational provisions. It may, however, be more difficult to develop common standards for provisions that are more technical in nature, such as imbalance and overrun tolerance levels because they can depend on the physical characteristics and operating conditions of the pipeline. See section 5.3.2.
Jemena, p. 2 (Submission to Discussion Paper).	Agrees with need for standards, but these should be able to vary between pipelines.	
Epic, p. 4 (Submission to Discussion Paper).	Complete consistency on matters across all pipelines may be technically difficult and may drive unintentional market outcomes.	Noted. The GRG will need to consider which provisions should be standardised, whether a single standard should be adopted for each term and condition, and whether and which standards should be adopted across all pipelines. See section 5.3.
AEMO, p. 3 (Submission to Discussion Paper).	Standardisation of secondary capacity across pipelines is a high priority.	
Origin, p. 2 (Submission to Discussion Paper).	Flexibility in the ability to alter receipt and delivery points could support secondary capacity trading, and as such favours the exploration of measures aimed at enhancing the ability of market participants to change these parameters.	The Commission's preferred outcome is that shippers be provided with greater flexibility to change their receipt and delivery points. The GRG should consider the appropriate means by which this should be achieved. See section 5.3.3.

Stakeholder	Comments	AEMC response
APGA, pp. 11-12; APGA, p. 9 (Submission to Discussion Paper).	Flexibility in receipt and delivery points will be essential in achieving standardised capacity rights. Zoned receipt and delivery points may be appropriate.	
Jemena, p. 14.	Does not support regulated segmentation of pipelines. This is likely to be costly and complex, while the majority of gas in Jemena's pipelines is transported for much or all of the length of the pipe meaning that segmentation would be of limited benefit. Flexibility in receipt and delivery points is already accommodated, but will be considered further by Jemena going forwards.	
AGL, p. 4.	Supportive of the idea of creating secondary delivery points, as this will greatly aid the fungibility and liquidity of capacity trading.	
AEMO, p. 3 (Submission to Discussion Paper).	Receipt and delivery point flexibility may be achieved through a zonal approach.	
AEMO, p. 3 (Submission to Discussion Paper).	Delivery point flexibility would ideal be approved in advance of a gas day.	
Epic, pp. 3-4 (Submission to Discussion Paper).	Supports open access to all receipt and delivery points for secondary capacity contracts on the basis that the service provided is lower priority to firm primary contracts.	
Epic, p. 3 (Submission to Discussion Paper).	Does not object to a time limit for a pipeline owner to respond to requests for changes in receipt and delivery points.	
Santos, p. 2 (Submission to Discussion Paper).	There should be a time limit for a pipeline owner to respond to requests for changes in receipt and delivery points.	
PIAC, p. 4 (Submission to Discussion Paper); Santos, p. 2 (Submission to Discussion Paper); APLNG, p. 3; APLNG, p. 2 (Submission to Discussion Paper); Stanwell, p. 3 (Submission to Discussion Paper); AGL, p. 2 (Submission to Discussion Paper).	Changes to receipt and delivery points should be allowed on technical grounds only.	

Stakeholder	Comments	AEMC response
Epic, pp. 3-4 (Submission to Discussion Paper), APGA, p. 9 (Submission to Discussion Paper).	Requests for transfer of delivery and receipt points must be assessed on commercial and technical grounds.	
APA, pp. 9-10 (Submission to Discussion Paper).	Pipeline operators should be able to modify their gas transportation agreements to provide greater receipt and delivery point flexibility. In the short term, a pipeline operator must be able to reject proposed changes to receipt and delivery points for both technical and commercial reasons.	
Australian Energy Council, p. 2 (Submission to Discussion Paper).	Introducing greater receipt and delivery point flexibility in gas transportation requires consideration of physical flows on pipelines including linepack, receipt and delivery point pressures and compressor scheduling. While the provision of more flexible transportation arrangements would be helpful, such arrangements need to be offered within the technical limitations of the pipeline in question, and need to ensure that existing shippers' rights are not compromised.	
APA Group, p. 16.	The standardisation of nominations arrangements is essential to efficient pipeline operation.	Noted. The GRG will need to consider which provisions should be standardised, whether a single standard should be adopted for each term and condition, and whether and which standards should be adopted across all pipelines. See section 5.3.
APGA, p. 1.	Harmonisation of nomination times is an issue that extends to facilitated markets and gas sales agreements. This is an issue affecting all market participants and is an ideal candidate for a government process.	
APLNG, p. 3 (Submission to Discussion Paper).	Some renomination rights should be included with the secondary capacity contracts.	
AEMO, p. 2 (Submission to Discussion Paper).	Specifying a range of standards may undermine efforts to standardise trading arrangements.	
PIAC, p. 4 (Submission to Discussion Paper); Epic, p. 4 (Submission to Discussion Paper).	A range of standards should be developed, rather than a unique of standard.	

Stakeholder	Comments	AEMC response
PIAC, p. 4 (Submission to Discussion Paper); Stanwell, p. 3 (Submission to Discussion Paper); APLNG, p. 2 (Submission to Discussion Paper); AEMO, p. 4 (Submission to Discussion Paper).	Hub services should also be standardised.	Agreed. The Commission's recommendations with regard to standardisation apply to pipeline and hub services. See chapter 5.

Capacity trading platforms

Stakeholder	Comments	AEMC response
ERM, p. 6; Stanwell, p. 3; APPEA, p. 3; APGA, p. 1; APLNG, p. 2.	General support for the introduction of capacity trading platform(s).	Noted. The Commission has recommended the creation of capacity trading platform(s). See section 5.4.
AEMO, pp. 4-6 (Submission to Discussion Paper); ERM, p. 2 (Submission to Discussion Paper); APLNG, p. 3 (Submission to Discussion Paper).	An electronic exchange is required in order to improve on the existing listing service arrangements. The current listing services have not been successful in selling capacity to date.	Noted. The Commission has recommended that the capacity trading platform(s) should include electronic anonymous exchange based trading for commonly traded products in addition to a capacity listing service typical on current capacity trading platforms. See section 5.4.2.
AGL, p. 4; APA, pp. 5-6 (Submission to Discussion Paper).	Supports the further development of exchange based trading.	
Jemena, p. 11.	Committed to assessing the expansion of Jemena's current capacity trading web platform to allow interested parties to post anonymous bids and offers for secondary capacity.	
APGA, p. 10.	A simple, anonymous platform could be implemented at relatively low cost. It should include ability to bid and offer (either through auction or open season).	
Stanwell, p. 5 (Submission to Discussion Paper).	If AEMO were to manage the auction, Stanwell understands that it is very simple and inexpensive for AEMO to add additional products to their existing GSH exchange system, Trayport. In this case, Stanwell supports the products being listed on the exchange. If however, AEMO was not to manage the auction and an exchange system was costly and complex, Stanwell supports a simple listing service, at least for the first few years.	
AEMO, p. 5 (Submission to Discussion Paper).	The capacity trading platform could be complemented by a daily auction, or facilitated through the participation of brokers on the exchange.	

Stakeholder	Comments	AEMC response
Jemena, p. 2 (Submission to Discussion Paper); APGA, p.11-12 (Submission to Discussion Paper); Santos, p. 3 (Submission to Discussion Paper); Engie, pp. 3-4 (Submission to Discussion Paper).	A staged approach could be adopted, with a listing service used initially and provisions made to transition to exchange trading if greater demand emerges.	
Origin, p. 3.	Any decision to require exchange based trading should consider the extent to which there is sufficient level of demand and a reasonable pool of standard products that can be sold.	
Stanwell, pp. 2-3.	The capacity trading platforms does not need to be overly complex. For example, it does not necessarily need to facilitate payment.	Noted. The exact design features of the trading platform(s) should be considered by the GRG.
AEMO, p. 2.	May be beneficial for shippers to use an auction mechanism to trade their spare capacity, given the bespoke nature of point-to-point pipeline services. In contrast, exchange trading requires all of the trading terms and conditions to be standardised.	
APGA, p. 12.	Counterparty risk will need to be considered and should be addressed through prudential requirements to access the trading platform.	
ERM, p. 2 (Submission to Discussion Paper); Stanwell, p. 3 (Submission to Discussion Paper); Epic, p. 4 (Submission to Discussion Paper); APGA, p. 10 (Submission to Discussion Paper); Origin, pp. 2-3 (Submission to Discussion Paper).	Operational transfers are appropriate for trades through the platform.	Trades carried out through the capacity trading platform(s) should be given effect through an operational transfer. See section 5.4.2.
QGC, p. 4 (Submission to Discussion Paper).	Preference for “bare transfers” to be the standard mechanism of trade through the platform, as it reduces commercial and operational complexity and cost.	

Stakeholder	Comments	AEMC response
PIAC, p. 6.	Supports the establishment of mandatory trading platforms.	There may still be a role for bilateral trades outside the platform, as forcing all trades through the platform may discourage some participants from trading. Nevertheless, the Commission remains concerned that allowing bilateral trades outside the platform does not guarantee non-discriminatory access to capacity. To counter this potential, the Commission's preference is for any trades conducted outside the capacity trading platform to be advertised ahead of time on the capacity trading platform listing service so that other shippers have an opportunity to compete for this trade. The GRG will need to consider, however, how this will be implemented in practice and whether any exemptions may be appropriate. See section 5.4.3.
PIAC, p. 5 (Submission to Discussion Paper).	Bilateral trades outside of the platforms should not be allowed, unless sufficient measures are taken to allow third parties to compete for the capacity and that the price and contract details be published on the platform.	
ERM, p. 6; Santos, p. 7; ERM, p. 2 (Submission to Discussion Paper); QGC, p. 5 (Submission to Discussion Paper); APGA, p. 14 (Submission to Discussion Paper); Origin, p. 3 (Submission to Discussion Paper); Jemena, pp. 11-12.	It is unnecessary to require all trades to go through the platform. Bilateral trades should be allowed.	
AEMO, p. 7 (Submission to Discussion Paper).	The platform may not be able to meet the needs of all participants. In this case, bilateral or OTC trades may be preferable.	
APGA, p. 11.	Shippers should be free to trade their capacity in the manner they wish. Trades should be free to occur outside the platform, providing they are published along with trades through the platform.	
APLNG, p. 3.	Pre-arranged trades should be allowed providing they are posted on the platform and other parties have the ability to improve on the terms.	
APA, p. 6 (Submission to Discussion Paper).	There is no reason to expect that bilateral trading of capacity "off platform" will be discriminatory, or to preclude it at the present time. APA sees no reason for prospective terms and conditions to be published.	
Stanwell, p. 5 (Submission to Discussion Paper).	Bilateral trades should be allowed. Stanwell does not share concerns about discriminatory access. It should not be required to publish information in advance to address this non-issue.	

Stakeholder	Comments	AEMC response
ERM, p. 4 (Submission to Discussion Paper).	Disagree that prospective trades should be published as it may result in lost trading opportunities and higher costs.	
APLNG, p. 2; APLNG, p. 2 (Submission to Discussion Paper).	Bare transfers should be prohibited, as they can result the buyer's confidential information capacity being revealed to the vendor.	Bare transfers should be allowed but the seller should be required to offer the buyer the option to use an operational transfer. See section 5.4.2.
ERM, p. 6.	It is unnecessary to prohibit bare trades.	
Stanwell, p. 4; Stanwell, pp. 3-4 (Submission to Discussion Paper);	Bare transfers are currently the most common form of trade, and should be allowed.	
AEMO, p. 2.	The prohibition on bare transfers should be reconsidered as the rationale for this reform is unclear.	
ERM, p. 2 (Submission to Discussion Paper).	There should be no restriction on bare transfers, to ensure that shippers continue to have flexibility to enter into tailored or bespoke commercial arrangements, including transactions which comprise multiple products/services such as commodity or a financial product.	
APGA, p. 14 (Submission to Discussion Paper).	Bare transfers should be allowed - to do otherwise represent the removal of a property right.	
Stanwell, p. 6 (Submission to Discussion Paper).	Not aware of concerns regarding the confidentiality of nominations. Bare transfers are highly valued.	
Santos, p. 2 (Submission to Discussion Paper); QGC, p. 4 (Submission to Discussion Paper).	Bare transfers are still a valuable tool for some shippers; therefore this mechanism should be maintained and used outside of any trading platform.	

Stakeholder	Comments	AEMC response
AEMO, p. 2; AEMO, p. 6 (Submission to Discussion Paper).	Supports the development of a single central platform across all pipelines. This would aid participation, reduce costs, allow for common prudential and settlement arrangements.	The Commission prefers a single capacity trading platform. However, given the potential for higher costs associated with a single platform (for example communication costs between pipeline owners and the platform); the Commission considers that this matter should be considered further by the GRG. Were a single platform implemented, the GRG would need to give consideration to the degree of integration that will be required between the capacity trading platform and pipeline operator systems to allow the results of any trades to be communicated to pipeline operators. The Commission can also see the benefit of having the capacity trading platform form part of the Gas Supply Hub, but further thought needs to be given by the GRG to whether this is feasible given pipeline operators will need to play an active role in facilitating the trades. See section 5.4.3.
AEMO, p. 6 (Submission to Discussion Paper).	Regardless of who runs the platform, the pipeline operators' involvement in the development and implementation will be beneficial (eg, for information transfer purposes).	
APA, pp. 4-5 (Submission to Discussion Paper); Jemena, p. 2 (Submission to Discussion Paper); APGA, pp. 12-13 (Submission to Discussion Paper).	The platform should be administered by individual pipeline owners as this will be lower cost and as they need to be involved in operational transfer. The benefits of single platform are overstated.	
APGA, pp. 10-11.	The costs of developing capacity trading platforms do not need to be excessive, by allowing pipeline operators to leverage existing systems and provide appropriate services. These costs should be recoverable.	
Australian Energy Council, p. 2 (Submission to Discussion Paper).	Whether one or multiple platforms should be implemented should take into account issues such as settlement risk and minimisation of credit support obligations.	
Stanwell, p. 3.	The AEMC should consider the costs and benefits of the pipelines running the platform versus an independent party such as AEMO operating the platform.	
ERM, p. 2 (Submission to Discussion Paper); PIAC, p. 5 (Submission to Discussion Paper); APLNG, pp. 2-3 (Submission to Discussion Paper); EnergyAustralia, pp. 6-7 (Submission to Discussion Paper); Stanwell, pp. 4-5 (Submission to Discussion Paper); Origin, p. 3 (Submission to Discussion Paper).	AEMO should run a single platform. This will avoid a conflict of interest, and allow for alignment with the gas supply.	

Stakeholder	Comments	AEMC response
AEMO, p. 2.	The platform is likely to share functions with the as-available auction. Consideration should be given to combining the two mechanisms into a single platform.	
APLNG, p. 2 (Submission to Discussion Paper).	Services traded through the platform should be limited to firm front and backhaul and hub services, sold by capacity holders. Pipeline owners should use their own methods to sell their unsold capacity.	The Commission agrees with most stakeholders that as many transportation services should be capable of being traded on the platform as possible. There may, however, be value in trying to avoid any unnecessary complexities, at least in the early stages of the development of the exchange trading component of the platform. This could be done by limiting the services that could be sold through the platform to firm pipeline transportation and hub services. As confidence in the exchange grows, these restrictions could be relaxed and other services added. The Commission suggests that the GRG consider this option when determining what services should be traded through the platform. See section 5.4.3.
APGA, p. 11.	The products available for capacity trade should be in line with the products available at the Wallumbilla Supply Hub.	
ERM Power, p. 2 (Submission to Discussion Paper).	Services traded through the platform should include park and loan and any transport services.	
AEMO, p. 5 (Submission to Discussion Paper); APA, p. 5 (Submission to Discussion Paper).	Transportation services, hub services and storage services should transact over the platform.	
AEMO, p. 5 (Submission to Discussion Paper); APA, p. 5 (Submission to Discussion Paper).	Firm services should be traded through the platform. Interruptible and as available services are unlikely to be desirable secondary capacity products.	
AEMO, p. 5 (Submission to Discussion Paper).	Minimum contract parcels should be considered.	
Stanwell, p. 4 (Submission to Discussion Paper).	All relevant services should be included, on a firm, as available and interruptible basis.	
Santos, p. 3 (Submission to Discussion Paper).	In the early stages, the platform should be restricted to the highest value services and sectors to avoid overinvestment.	
APGA, p. 11 (Submission to Discussion Paper).	As many services should be included as possible, but only on a firm basis (it does not make sense to trade non-firm rights). It does not appear a significant task to standardise these aspects.	
AEMO, p. 5 (Submission to Discussion Paper).	Consideration should be given to the way in which bi-directional services should be traded.	

Publication of information on secondary capacity trades

Stakeholders	Comments	AEMC response
APPEA, p. 3; PIAC, p. 6; Origin, p. 2; Jemena, pp. 11-12; APLNG, p. 2; APGA, p. 1; Australian Energy Council, p. 2 (Submission to Discussion Paper); AGL, p.3 (Submission to Discussion Paper).	Supports moves to improve transparency in pipeline markets that interface with the facilitated markets, so capacity can be traded more actively.	Noted. The Commission has recommended the publication of information on all secondary trades of pipeline capacity and hub services. See section 5.5.
APA Group, cover letter and pp. 2, 15-16; APA Group, p. 10 (submission to Discussion Paper).	Supports transparency in the primary and secondary markets for pipeline capacity, provided equivalent measures are adopted for primary and secondary gas commodity transactions.	While publishing information on commodity trades would increase transparency, it is unclear how much value the market would derive from this information given the prices payable under these contracts reflect the totality of all the terms and conditions of supply and not just the value of a unit of gas. Requiring market participants to divulge this information could also undermine confidence in the market (eg through the potential for tacit collusion, or the potential effects on risk management practices) and have adverse consequences for competition in some downstream markets. See section 8.3.1 of the Stage 1 Draft Report.

Stakeholders	Comments	AEMC response
Origin, p. 2; Australian Energy Council, p. 2; ESSO, p. 2; ERM, p. 6; Stanwell, p. 3; Jemena, pp. 12-13; Santos, p. 6; APGA, p. 10; Australian Energy Council, p. 2 (Submission to Discussion Paper); ERM p. 3 (Submission to Discussion Paper); Santos, p. 3 (Submission to Discussion Paper); APLNG, p. 3 (Submission to Discussion Paper); Stanwell, pp. 6-7 (Submission to Discussion Paper); Jemena, pp. 2-3 (Submission to Discussion Paper); APGA, p. 15 (Submission to Discussion Paper); Origin, p. 3 (Submission to Discussion Paper); AGL, p. 3 (Submission to Discussion Paper); ENGIE, p. 6 (Submission to Discussion Paper); QGC, p. 5 (Submission to Discussion Paper); Australian Energy Council, p. 2 (Submission to Discussion Paper); APA, p. 10 (Submission to Discussion Paper).	Cautions against any requirements that would reveal commercially sensitive information that could undermine a shipper's position in a related market.	The Commission has recommended that the information that should be published should take into account measures to protect the anonymity of counterparties. The Commission recognises that commercial-in-confidence information may be inferred from published information even if counterparties' names are not published. See section 5.5.2.
AEMO, p. 7 (Submission to Discussion Paper).	If confidential information is not reported then no lag is required in publication. The longer the reporting occurs after the time of transaction, the less valuable it is.	The Commission recommends that the COAG Energy Council task the GRG to develop a reporting obligation that requires the prices and other key terms struck in secondary capacity trades to be reported at the time the trade is entered into, or shortly after. Reporting within this timeframe will aid the price discovery process for capacity trades and the auction process. See section 5.5.2.
Stanwell, p. 7 (Submission to Discussion Paper).	If information is reported in sufficiently low level of detail, then publication should take place as soon as possible. If detailed information is reported, this should happen after the contract has concluded.	
ERM, p. 3 (Submission to Discussion Paper).	Information should be published at the time of the transaction if through platform. If outside of platform, it should be published at the end of the month providing the trade has concluded.	
APLNG, p. 3 (Submission to Discussion Paper); APGA, p. 15 (Submission to Discussion Paper).	Information should be published at the time of the transaction.	

Stakeholders	Comments	AEMC response
Stanwell, p. 3; Stanwell, p. 7 (Submission to Discussion Paper); ERM, p. 6.	Does not support the publication of bespoke contracts. This would be burdensome and there are likely to be terms or prices which may not be easily explained through a standardised reporting platform.	The Commission recommends that the GRG be required to develop information reporting that applies to all secondary capacity trades from the date the obligation takes effect, regardless of whether the trades are carried out on a bilateral basis or through the capacity trading platform. See section 5.5.2.
ERM, p. 3 (Submission to Discussion Paper).	There should be consistency in the information reported for trades inside and outside the platform.	
APGA, p. 14 (Submission to Discussion Paper).	Equivalent information should be made available whether trades are bilateral or through platform.	
APA, p. 10 (Submission to Discussion Paper); APLNG, p. 3 (Submission to Discussion Paper).	Information provision requirements should include information on non-standard contracts.	
AEMO, p. 7 (Submission to Discussion Paper).	It should at least be reported that a trade contained bespoke terms, even if those terms are not themselves disclosed.	
Stanwell, p. 7 (Submission to Discussion Paper); AEMO, p. 7 (Submission to Discussion Paper).	Information provision requirements should apply also to hub services.	The Commission recommends the publication of information on all secondary trades of pipeline capacity and hub services. See section 5.5.1.
AEMO, p. 7 (Submission to Discussion Paper).	It seems beneficial for information on hub services and storage services trades to also be reported.	
APGA, p. 16 (Submission to Discussion Paper).	Information provision requirements should be extended to secondary sales of services of all Bulletin Board facilities.	
AEMO, pp. 2-3.	Clarification is sought about whether capacity trading information would be published on the Gas Bulletin Board.	The GRG should consider the appropriate place for publishing secondary capacity trading information.
Santos, p. 6.	There needs to be a case developed to justify the release of certain information. If information is not going to increase liquidity, or assist market participants in trading decisions, it should be questioned if this information really needs to be provided.	The Commission recommends that the COAG Energy Council task the GRG with developing the reporting obligations, in accordance with guidance given by the Commission. See section 5.5.2.

Primary capacity markets and the Gas Access Regime

Stakeholder	Comments	AEMC response
PIAC, pp. 5-6.	Recommends that the coverage test for pipelines be reviewed to ensure that regulations for pipelines are adequately regulated for the changed market environment.	The ACCC has recommended to the COAG Energy Council that the current test for regulation of gas pipelines (the coverage test) in the Gas Access Regime in NGL be replaced in order that it better addresses the issue of market power and monopoly pricing, and that the AEMC should carry out further consultation and advise the COAG Energy Council of the suitable amendments to the test. Given the ACCC's analysis and evidence of the problem, which is consistent with the AEMC's own analysis, the AEMC concurs with the ACCC's recommended approach to progressing reforms to the Gas Access Regime. See section 5.6.2
Central Petroleum, pp. 1-2.	The AEMC's Draft Report fails to address the most significant and structurally ingrained barrier to new gas supplies reaching gas customers - the tariffs charged for the transportation of gas through an existing gas pipeline transmission network which is not based on the actual cost incurred by pipeline owners in providing a service. The AEMC's review should go further in considering how current pipeline owners are setting their tariffs for various services.	
Major Energy Users, pp. 4, 20-21.	The AEMC should continue to work with the ACCC to resolve issues relating to pipeline owner monopoly power.	
AER, p. 6.	Supports the AEMC's Final Report being informed by ACCC's inquiry findings.	
QGC, pp. 2-3.	Concerns over pricing structures for pipeline capacity apply more generally than acknowledged by the AEMC (eg, for longer term trades). Understands that these broader issues are within scope of the ACCC inquiry.	
Stanwell, pp. 4-5; Jemena, pp. 15-16; EnergyAustralia, pp. 4-5; APGA, pp.1, 13; ERM, p. 4 (Submission to Discussion Paper); EnergyAustralia p. 7 (Submission to Discussion Paper) , Stanwell, p. 12 (Submission to Discussion Paper) ; Jemena, p. 4 (Submission to Discussion Paper) ; APGA, p. 23 (Submission to Discussion Paper).	Does not support the draft recommendation to publish information on primary capacity sales: * The benefits of publishing retrospective information would be limited * The price paid is dependent on the quantity of capacity purchased, and on whether physical expansions were required * The bespoke nature of primary contracts would mean that it would be hard to interpret the information * There are confidentially concerns with this recommendation * Such information provision requirements is not necessary for regulators (see recent ACCC inquiry for an example of information gathered for a regulator's specific need).	Given the high degree of consistency between the ACCC's recommendation with regard to information disclosure requirements and the AEMC's draft recommendation for the publication of price and price related information for primary capacity sales, the AEMC recommends that the appropriate information provision requirements in the primary market be further considered if the COAG Energy Council agrees to pursue the ACCC's recommendation for the AEMC to investigate this matter further. See section 5.6.2.

Stakeholder	Comments	AEMC response
AER, p. 6.	Further consideration needs to be given to the effect the pipeline capacity trading recommendations will have on the regulation of covered pipelines.	
APLNG, p. 3.	Supports the draft recommendation to publish information on primary capacity sales in order to reduce discriminatory access.	
AGL, p.3 (Submission to Discussion Paper).	Price signals will be important in establishing an effective market for secondary capacity trading. As such, AGL supports reporting the price paid for primary capacity, along with key terms and conditions such as the type of service, on which pipeline, and contract duration.	
EUAA, p. 10.	Supportive of the draft recommendation to publish information on primary capacity sales, but confidentially issues will need to be examined.	