

5 October 2018



Our Reference: APLNG - COR - 0014085

Australian Energy Market Operator  
Commercial Services  
Level 22, 530 Collins Street  
Melbourne VIC 3000

Sent via email: [pct@aemo.com.au](mailto:pct@aemo.com.au)

Dear Australian Energy Market Operator

**Capacity Trading Reform Package – Consultation Paper**

Australia Pacific LNG Pty Limited (**APLNG**) is pleased to provide the Australian Energy Market Operator (**AEMO**) stakeholder feedback on the Capacity Trading Reform Package Consultation Paper. Our comments are attached.

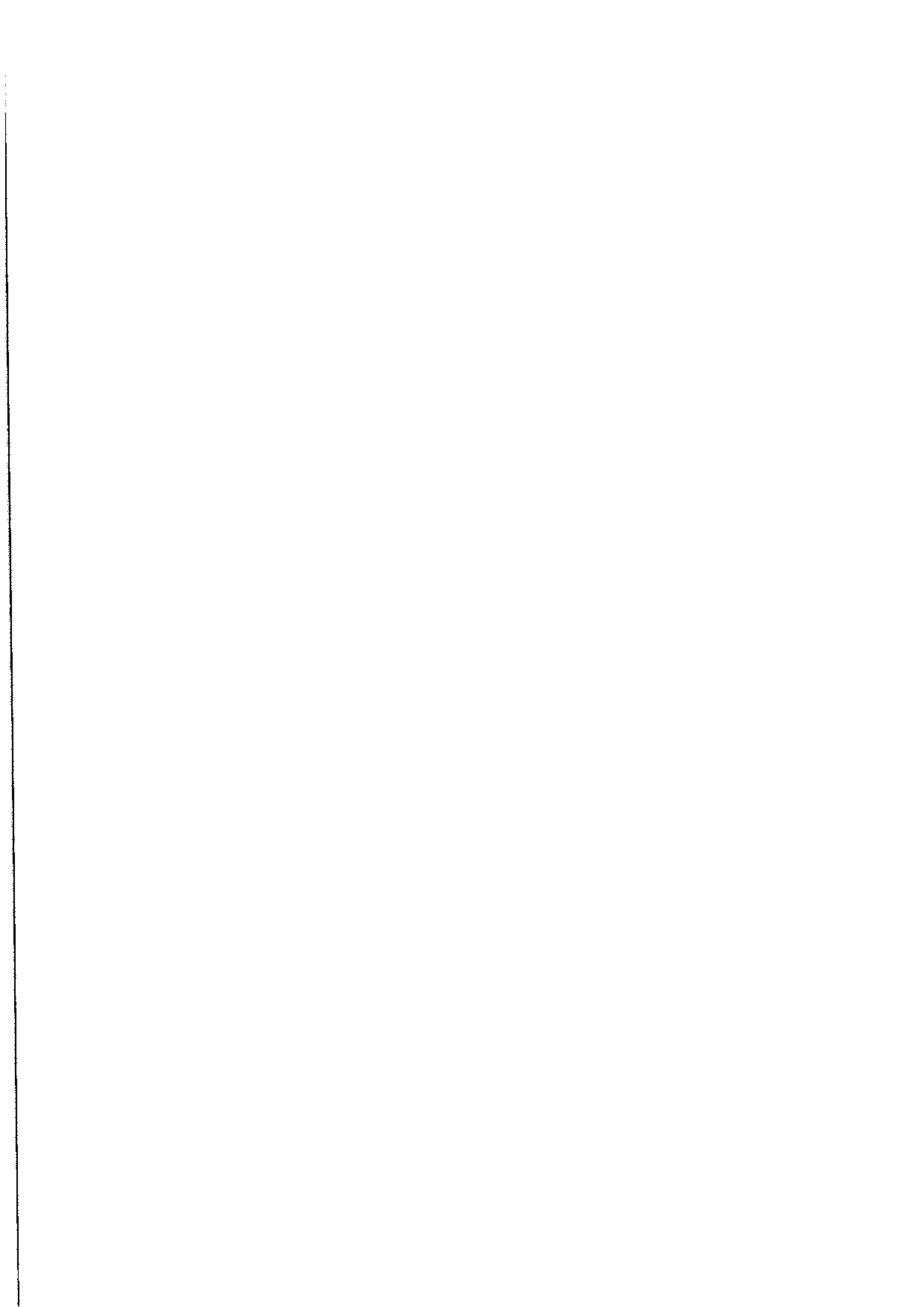
As Queensland's largest gas producer, APLNG supplies a significant percentage of Queensland's long term gas needs as well as exporting LNG under contract to China and Japan. APLNG strongly supports the implementation of the reform package to improve access to competitively priced transportation capacity across the east coast and improve market transparency. Given our ongoing consultation and revision to the Capacity Trading Reform Package Consultation Paper, APLNG's feedback on this latest consultation process is minimal.

Thank you for the opportunity to provide these comments. Should you have any questions or would like to discuss this submission further, please me on 07 3021 3350 or [Darren.Meznarich@aplng.com.au](mailto:Darren.Meznarich@aplng.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read "Darren Meznarich".

**Darren Meznarich**  
General Manager – Commercial  
Australia Pacific LNG Pty Limited





## APLNG's Stakeholder feedback template

This template has been developed to enable stakeholders to provide their feedback on the Capacity Transfer and Auction Procedures and amendments to the GSH Exchange Agreement.

AEMO encourages stakeholders to use this template, so they can have due regard to the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern.

Stakeholder submissions will be published on AEMO's website unless they are clearly marked as being confidential. Submissions should be sent to [pct@aemo.com.au](mailto:pct@aemo.com.au) by Friday 28 September 2018.

Questions		Feedback
Capacity Transfer and Auction Procedures		
<p><b>Division 1 - General</b> (Registration, Service Points, Zones, Pipeline Segments, Register, Facility Agreement Information, CTP Communications)</p> <p>1. Do you have any feedback in relation to the provisions common to the Capacity Trading Platform and Capacity Auction as set out in clause 1 to 6?</p>	<p>APLNG has no additional feedback.</p>	
<p><b>Division 2 – Capacity Trading Platform</b> (Application of Timetable, Trades and transfers, STTM &amp; DWGM Integration, Termination of primary GTA)</p> <p>2. Do you have any feedback in relation to the Capacity Trading Platform provisions as set out in clauses 7 to 10?</p>	<p>APLNG would like to understand why the service continuity period is limited to 14 days and propose that the service continuity term should extend to the end of the service term. Also, if the primary holder has their agreement terminated, the service provider should not be forced to continue service. This should be a rare event.</p> <p>The provisions do not appear to address issues in the validation process on the Facility Operator side, including systems issues or other failures to validate correctly, resulting in a 'validation failure' not being picked up when it should have been picked up. What are the protections within the system to ensure this does not occur? If a validation is</p>	

Questions	Feedback
<p>3. <b>Division 3 – Capacity Auction</b> (Eligibility, Administration, Auction platform, components and solver, Auction cancellation or exclusion, Running the auction, Auction quantities, Auction results, Auction settlement, prudential and reporting)</p> <p>3. Do you have any feedback in relation to Capacity Auction provisions as set out in clauses 11 to 24?</p>	<p>approved that should have failed, and there are subsequent capacity restrictions, will this be managed on a pro-rata basis, and will there be rights for the capacity buyer to receive compensation?</p> <p>APLNG has no additional feedback.</p>
<p>4. <b>Division 4 – Transitional</b> (Compression Facility Information, Transitional firm services, Existing transportation facilities)</p> <p>4. Do you have any feedback in relation to Transitional Arrangements as set out in clauses 25 and 26?</p>	<p>APLNG has no additional feedback.</p>
<p>5. <b>Schedule 1 – Capacity Transfer and Auction Timetable</b> <i>(Timetable for the transfer of capacity for day-ahead and forward trades, operation of auction)</i></p> <p>5. Do you have any feedback in relation to the pre-gas day harmonisation timetable as set out in schedule 1?</p>	<p>The outcome of Auction can run quite late. APLNG requests that a more compressed timetable would be desirable.</p> <p>We also note the following:</p> <ul style="list-style-type: none"> <li>• Capacity Auction Timetable, Table 2 (ref 1) – APLNG notes that since the majority of pipelines complete nominations at 4pm, could this time be brought forward?</li> <li>• Capacity Auction Timetable Table 2 (ref 3) – APLNG believes that 15 mins is not adequate time to review available auction quantities and submit bids across all systems. APLNG believes this should be extended by at least 15 minutes by possibly delaying the following processes.</li> <li>• Capacity Auction Timetable Table 2 (ref 5) – APLNG suggests that the Facility Operators or AEMO should also notified successful Bidders of the results.</li> </ul>

Questions	Feedback
<p><b>Schedule 2 – Capacity Transfer and Auction Timetable From Oct 2019</b>  <i>(Timetable for the transfer of capacity for day-ahead and forward trades, operation of auction)</i></p> <p>6. Do you have any feedback in relation to the pre-gas day harmonisation timetable as set out in schedule 2?</p>	<p>See previous answers in question 5.</p>
<p><b>Appendix A – Auction Agreement</b>  <i>(Agreement between AEMO and Auction Participant covering the terms of participation in the Capacity Auction)</i></p> <p>7. Do you have any feedback in relation to the Auction Agreement?</p> <p>8. The agreement allows for an agent to be appointed by appointing members, either jointly appointed (such as parties to an unincorporated joint venture) or appointed individually but under the one agreement (such as related bodies corporate appointing a member of a corporate group as agent). As currently provided for under the Exchange Agreement, the appointing members are jointly and severally liable for the acts of the agent (which means the joint venture parties or within the corporate group must manage liability between the appointing members themselves). Is there interest in providing for a different type of agent appointment where the appointing members are severally (not jointly) liable for the acts of the agent (for example, an aggregator acting as agent for unrelated third parties)?</p>	<p><b>Question 7.</b>          APLNG requests additional changes to the proposed terms of the Auction Agreement to accommodate its organisational structure, as have already been incorporated into the Exchange Agreement.</p> <p>At this stage, APLNG requests consideration is given to the following:</p> <ul style="list-style-type: none"> <li>• confidentiality (clause A15.3):             <ul style="list-style-type: none"> <li>○ sub-clause (b) should include secondees to a party;</li> <li>○ APLNG is an incorporated JV and may need to disclose information to its shareholders. APLNG therefore suggests a new limb after sub-clause (b) to allow disclosure to the shareholders of a party (or shareholders of the ultimate holding company of a Member) and the shareholders' respective agents, officers, employees, auditors and professional advisers. Such disclosures should be subject to the same obligations as in clause A15.4(b).</li> </ul> </li> <li>• representations (clause A16.3) – in sub-clause (g), a material adverse change is not defined, and in any event, such change may not necessarily affect a party's ability to</li> </ul>

Questions	Feedback
	<p>perform the agreement (or exchange agreement). APLNG suggests that the material adverse change language be deleted or tied to the inability to perform.</p> <p>APLNG would like to understand the fees for participating in the auction. In A5, AEMO should clearly define the amount that will be charge to participate in the auction so that this can be accommodated within the participant's strategy.</p> <p><b>Question 8.</b>            In relation to the agency point raised by AEMO in Question 8, APLNG's current corporate context is that one of the APLNG entities will most likely act for itself or as agent for another APLNG group company or both. We query whether the definition of Agent Participant and clause A1.6 limits the ability for APLNG to act in its own right as well as for one other member of its group. We note section 13.2 of the Procedure suggests this is not intended</p> <p>APLNG also sees merit in providing for agents to be appointed severally on behalf of members of an unincorporated JV, with each JV participant being liable for actions of the agent to the extent of their respective interest in the JV.</p>
<b>GSH Exchange Agreement</b>	
<p>8. <b>General</b>            (Definitions, clause 10, 25)</p> <ul style="list-style-type: none"> <li>• Do you have any feedback in relation to registration provisions?</li> <li>• Do you have any feedback in relation to listing service provisions?</li> <li>• The agreement allows for an agent to be appointed by appointing members, either jointly appointed (such as parties to an unincorporated joint venture) or appointed individually but under the one agreement (such as related bodies corporate appointing a member of a corporate group as agent). As currently provided for under the Exchange Agreement, the</li> </ul>	<p>Refer to above prior comments.</p>

Questions	Feedback
<p>appointing members are jointly and severally liable for the acts of the agent (which means the joint venture parties or within the corporate group must manage liability between the appointing members themselves). Is there interest in providing for a different type of agent appointment where the appointing members are severally (not jointly) liable for the acts of the agent (for example, an aggregator acting as agent for unrelated third parties)?</p>	
<p><b>9. Capacity Products</b> (<i>Capacity Product List document</i>)</p> <ul style="list-style-type: none"> <li>Do you have any you have any feedback in relation to capacity products?</li> </ul>	<p>APLNG has no additional feedback.</p>
<p><b>10. Delivery Process</b> (<i>Clause 12, 14</i>)</p> <ul style="list-style-type: none"> <li>Do you have any you have any feedback in relation to the delivery of capacity transactions?</li> </ul>	<p>APLNG has no additional feedback.</p>
<p><b>11. Settlement</b> (<i>Clause 14A.6, 17, 18, 20, GSH Settlement and Prudential Methodology</i>)</p> <ul style="list-style-type: none"> <li>Do you have any you have any feedback in relation to the settlement of capacity transactions?</li> </ul>	<p>APLNG has no additional feedback.</p>

