



Improved transparency just one piece of the puzzle.

**PIAC submission to AEMC rule change: National Gas
Amendment (Enhanced Information for Gas Transmission
Pipeline Capacity Trading) Rule 2015**

12 November 2015

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Energy and Water Consumer Advocacy Program

1. The Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit law and policy organisation that works for a fair, just and democratic society, empowering citizens, consumers and communities by taking strategic action on public interest issues.

PIAC identifies public interest issues and, where possible and appropriate, works co-operatively with other organisations to advocate for individuals and groups affected. PIAC seeks to:

- expose and redress unjust or unsafe practices, deficient laws or policies;
- promote accountable, transparent and responsive government;
- encourage, influence and inform public debate on issues affecting legal and democratic rights;
- promote the development of law that reflects the public interest;
- develop and assist community organisations with a public interest focus to pursue the interests of the communities they represent;
- develop models to respond to unmet legal need; and
- maintain an effective and sustainable organisation.

Established in July 1982 as an initiative of the (then) Law Foundation of New South Wales, with support from the NSW Legal Aid Commission, PIAC was the first, and remains the only broadly based public interest legal centre in Australia. Financial support for PIAC comes primarily from the NSW Public Purpose Fund and the Commonwealth and State Community Legal Services Program. PIAC also receives funding from NSW Trade and Investment for its work on energy and water, and from Allens for its Indigenous Justice Program. PIAC also generates income from project and case grants, seminars, consultancy fees, donations and recovery of costs in legal actions.

1.1 Energy + Water Consumer's Advocacy Program

This Program was established at PIAC as the Utilities Consumer's Advocacy Program in 1998 with NSW Government funding. The aim of the program is to develop policy and advocate in the interests of low-income and other residential consumers in the NSW energy and water markets. PIAC receives policy input to the program from a community-based reference group whose members include:

- Council of Social Service of NSW (NCOSS);
- Combined Pensioners and Superannuants Association of NSW;
- Tenants Union of NSW;
- Ethnic Communities Council of NSW;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW; and
- The Salvation Army Eastern Australia Conference.

2. Introduction

PIAC welcomes the opportunity to provide comment on the Australian Energy Market Commission's *Draft Rule Determination: National Gas Amendment (Enhanced Information for Gas Transmission Pipeline Capacity Trading) Rule 2015*. The Natural Gas Services Bulletin Board (Bulletin Board), also known as the Gas Bulletin Board, was developed in 2008 to enhance trading and gas pipeline capacity across the east coast of Australia.¹ The Bulletin Board is operated by the Australian Energy Market Operator (AEMO). Operators of pipelines, storage facilities and production facilities must provide information on nameplate² capacity ratings, capacity outlooks and the amount of gas produced and delivered to the Bulletin Board.³

This rule change proposal from the Council of Australian Governments (COAG) Energy Council comes at a time of change for the Australian gas market. The development of a liquefied natural gas export market from the east coast of Australia has linked the domestic and international gas markets. This has caused widespread concern about the potential impacts on the domestic market, especially the potential price shocks for residential and industrial consumers. This rule change proposes to increase the reporting requirements participants of the Bulletin Board are required to provide to AEMO, to improve transparency of prices, reduce costs associated with searching for spare capacity or secondary capacity and to improve entry for third parties.⁴ In addition, the proposed changes will improve AEMO's capacity to monitor and provide operational functions for the east coast gas market.⁵

The Energy Council proposed changes to the form of additional reporting requirements and to existing reporting requirements, including;

- uncontracted primary capacity – three year outlook of uncontracted primary capacity on Bulletin Board pipelines, updated monthly;
- contact details of contracted shippers, updated monthly;
- secondary capacity trading – pipeline operators would provide secondary capacity trading information from their trading platforms, reported monthly;
- detailed facility data – allow for specific schematic maps and provide pipeline receipt and delivery points, and facility receipt and delivery points; and,
- gas flow data - pipeline operators provide aggregated receipt and delivery point flow data by zone, on a day after basis.⁶

The draft rule determination has made some changes to the original proposed rule change and these will be discussed in this submission, alongside the original proposal.

¹ AEMO, 2015, *Natural Gas Services Bulletin Board*, <http://www.gasbb.com.au>

² Nameplate is the physical capacity of a pipeline or gate station for the medium to long-term. This is the intended full capacity of a system.

³ AEMC, 2015, *Enhanced Information for Gas Transmission Pipeline Capacity Trading Draft Rule Determination*, ii.

⁴ Ibid 1.

⁵ Ibid 4.

⁶ Ibid.

2.1 Cost benefit analysis and the National Gas Objective

The Commonwealth government tasked NERA Economic Consulting (NERA) to conduct a cost-benefit analysis of the policy options that are the foundation of this rule change. The final report determined that there was insufficient or no objective information publicly available to undertake this analysis and thus had to rely on anecdotal information.⁷ NERA found that overall, the benefits from increased information ‘may enhance pipeline capacity trading and reduce barriers to entry for small shippers wishing to participate in the eastern gas market’.⁸ As for the impact on retail gas prices, NERA did not anticipate any impact on retail gas prices as the volume of gas brought to market would be minimal.⁹ One of the tests for approving a rule change is that it contributes to the National Gas Objective (NGO) and is done with respect to the long-term interest of the consumer. Given the minimal benefits of this rule change it is unclear how this will benefit consumers. The AEMC has said this rule change will contribute to the long-term interest of consumers by ‘promoting more efficient investment in and use of gas services’.¹⁰ This is a broad statement and while PIAC supports many of the changes in this rule change, PIAC would like additional analysis of the expected benefit of improved information provision in the east coast gas market. In addition, PIAC would like more explicit analysis in the rule change proposal of the impact on the retail price and thus on retail consumers of these changes, to assist consumers and advocates better participate in this process.

These rules changes only apply to covered pipelines that are participants in the Bulletin Board. If improved information will provide tangible outcomes for the market, PAC wonders whether it would be beneficial to include all major pipelines in the Bulletin Board.

3. Proposed additional rules

3.1 Detailed facility data

This proposed rule change would require facility operators to provide data about pipeline receipt and delivery points, storage, as well as production receipt and delivery points. In addition, the proposed rule would require more fine detailed data about the pipelines nameplate capacity rating and the nameplate rating of gate stations (the entry point for the distributions system). Operators would be required to update relevant information when it was no longer accurate. The additional information resulting from the rule change would allow AEMO to develop detailed schematics of the pipeline system, increasing its own understanding. Such a change would also bring the Bulletin Board in line with the Western Australian Gas Bulletin Board and its market participants’ reporting requirements.¹¹

While the original rule proposal included providing nameplate gate station data, the AEMC has determined that because gate station operators are not members of the Bulletin Board such a change would create undue pressure on pipelines that do not operate the gate stations and would therefore, not result in significant benefit to participants. The final rule requires pipeline

⁷ COAG Energy Council Senior Committee of Officials, 2015, *National Gas Rule Change Request and Proposal. Gas Transmission Pipeline Capacity Trading: Enhanced Information. Amendments of the National Gas Rules – Part 18*. 15.

⁸ Ibid 17.

⁹ Ibid.

¹⁰ AEMC, above n 3, iv.

¹¹ Ibid 18 and COAG, above n 7, 11.

operators to provide the name of the gate station operator and the nameplate rating if they are the operator of this gate station or if this information has already been provided to them by the gate station operator.¹²

PIAC supports change that provides the market operator with additional information that supports its role in monitoring and operating the gas market. Accordingly, PIAC recommends that this proposed change be made.

Recommendation 1

PIAC recommends that the requirement for facility operators to provide additional facility data to AEMO be adopted.

3.2 Uncontracted primary capacity

Pipeline operators sell primary capacity via long-term bi-lateral contracts. However it is not always clear to market participants how much of this primary capacity is used and if there is additional primary capacity available. Currently, pipeline operators are not required to report this information and, while some do, reporting is not consistent and to a central location.¹³ The Energy Council proposed rule change would address this issue by requiring pipeline operators to report any uncontracted primary capacity on a monthly basis for three-year period. This rule would improve transparency and reduce search costs associated with parties trying to manage their gas supply agreements or looking for spare capacity.¹⁴

The AEMC has determined that there is significant benefit from this proposal, however it has reduced the forward outlook to 12 months. This was due to the nature of capacity trades, which are usually short term; and negotiations for capacity are unlikely to occur three years into the future. There are also issues with reporting capacity so far into the future, as that capacity may be under the option for renewal. The AEMC has determined that these issues are sufficiently significant to warrant a 12-month outlook. A further change to the original proposal is that any issues of contractual options would not be treated as uncontracted capacity, as it does not meet the definition of uncontracted.¹⁵

PIAC supports the centralisation of this data and the requirement for all pipeline operators to report uncontracted capacity data on a regular basis. As the European gas market requires participants to report this data with an 18-month outlook, PIAC would like to see some analysis of potential benefits that may arise from a timeframe between the two proposals.

Recommendation 2

PIAC recommends the requirement for all pipeline operators to regularly report uncontracted capacity data be adopted.

Recommendation 3

PIAC recommends that the AEMC undertake additional modelling or provide information about the possible potential benefit of an 18-month forward outlook, similar to the European market.

¹² AEMC, above n 3, 20.

¹³ Ibid 11.

¹⁴ COAG, above n 7, 6.

¹⁵ AEMC, above n 3, 13.

3.3 Secondary capacity trading

In a liquid market, any spare capacity will be traded to ensure capacity goes to the highest value use. However, currently there is insufficient information available to enable participants to determine how much capacity is available, how much it costs and when it will be available. Some pipeline operators have secondary capacity trading platforms already. The proposed rule change would require these operators to provide this information to AEMO for publishing on the Bulletin Board in a standard and central location, which should not be onerous.

The AEMC has decided that this issue should be considered further as part of the *Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review*. PIAC agrees that the issue needs more consideration and supports the eventual expansion of required information after the final reports are published. In addition PIAC recommends the relevant rules that relate to the wholesale gas market be reviewed after the above processes have been completed to ensure they are all in line with any recommendations that arise.

Recommendation 4

PIAC recommends that the requirement for operators provide existing secondary capacity data to AEMO to be presented in a central location be adopted.

Recommendation 5

PIAC recommends that the rules relevant to this issue be reviewed further after the East Coast Wholesale Gas Market review has been completed.

3.4 Contact details of contracted shippers

The rule change proposed a requirement for the contact details of contracted shippers to be provided on a monthly basis and be listed in order of contracted size of capacity. The AEMC has decided that there is no benefit to listing contact details by capacity, as this does not give any indication of spare capacity.

As for the provision of contact details, shippers are not currently required to report to the Bulletin Board and the AEMC considers that any obligation for them to report contact details would be too onerous. The AEMC is proposing that pipeline owners who already report under the Bulletin Board provide their contracted shippers details, or shippers may provide their details voluntarily. The AEMC has also determined there is no need for this information to be provided each month, rather they have suggested that this information be updated when it changes.¹⁶

PIAC supports this proposal. However, PIAC also recommends that more analysis be undertaken about the potential benefit of listing shippers contact details not by their contracted capacity amount but by the amount of secondary capacity they have on a monthly basis.

Recommendation 6

PIAC recommends that the requirement for pipeline operators report the contact details of their contracted shippers to AEMO be adopted.

¹⁶ Ibid, 13-15.

Recommendation 7

PIAC recommends additional analysis be undertaken to assess the potential benefits from listing shippers by spare capacity rather than total capacity.

3.5 Gas flow data

Currently, Bulletin Board participants are required to provide aggregate delivery point flow data for each zone to AEMO. The rule change has proposed the addition of aggregate receipt data for each zone on a day after basis. In addition, the Energy Council proposed that disaggregate receipt and delivery data be provided each month to AEMO. This data would only be available to AEMO and not published on the Bulletin Board.¹⁷ According to the AEMC, the disaggregate data would enable AEMO to better manage the Bulletin Board. This data would also provide an additional level of oversight to the system, as presently the pipeline operators provide the aggregate data with no oversight by AEMO. Provision of disaggregate data would improve AEMO's ability to monitor data accuracy.¹⁸ This would also lead to improved confidence in the Bulletin Board amongst participants. This additional information would also contribute to AEMO's Gas Statement of Opportunities and other planning documents.¹⁹

At the moment, there is an information gap because only aggregate delivery data and not receipt data is published. Reporting of receipt data would inform market participants of the volume of gas received by a pipeline from a production or demand zone, especially in the case where a production zone is served by multiple Bulletin Board pipelines.²⁰

This historic data would allow market participants to understand current supply and demand and predict future trends or how gas assets will operate in the future,²¹ providing them with a better understanding of the current market and enhancing opportunities to participate.

PIAC recommends that this proposal be adopted to improve confidence in data provided to the Bulletin Board and oversight to the system.

Recommendation 8

PIAC recommends that the requirement that additional gas flow data be provided to AEMO be adopted.

3.6 Storage facilities

The rule change proposal included additional reporting requirements for storage facilities. The proposal required the reporting of the actual volume of gas held by the storage facility for each gas day, aggregate injections and withdrawals for the current gas day, as well as a seven-day forecast and a 12-month outlook for uncontracted capacity. In addition, the proposal includes removing the reporting exemptions currently held by some storage facilities. The exemptions are for those storage facilities that are only used by a production facility and do not provide gas directly back into the system, or only have a capacity of 20TJ a day or are not connected to a

¹⁷ Ibid 20.

¹⁸ Ibid 23 and 26.

¹⁹ Ibid 24.

²⁰ Ibid 22.

²¹ Ibid.

Bulletin Board pipeline.²² This exemption applies to six of the eight storage facilities across the east coast gas market.

The additional information required from the non-exempt storage facilities will enable market participants to better understand short-term conditions with respect to system and storage capacity and better inform decision-making. This is particularly important as the market becomes more active and there are more third party participants who will need to make decisions and predictions of available capacity both in storage and in pipelines. This additional reporting will also improve the available information for the electricity sector with respect to gas-fired generators.²³

Of the six exempt storage facilities, four are exempt because they are only used by the production facility. These are, incidentally the four largest storage facilities. According to the AEMC, it is questionable whether this current criterion for exemption fits with a more liquid market.²⁴ The AEMC has determined that storage facilities that are used only in the production process should report the current level of information required by non-exempt facilities. However, the AEMC considers the additional information to already be captured by the existing reporting requirements and proposes, therefore, not to have another specific requirement.

PIAC supports the additional reporting requirements for non-exempt facilities and supports the additional reporting requirements for some of the exempt facilities. This information will support improved decision making by market participants and improve the valuation of gas and gas services.²⁵

Recommendation 9

PIAC recommends that the requirement for additional data about storage facilities be collected and modification of the exemption rules be adopted.

4. Conclusion

PIAC supports moves to improve the monitoring and operational functions of AEMO and to improve the broader transparency of the gas market. However, PIAC would like to see more done to improve access to third parties and reduce the complexity of the overall domestic market. PIAC understands these issues are being reviewed as part of the AEMC's East Coast Gas Market and Pipeline Frameworks Review and the ACCC's East Coast gas inquiry.

PIAC is uncertain as the effect of this current rule change proposal, given the simultaneous market reviews. PIAC supports the proposed rule changes with the proviso that this and other rules governing secondary capacity and the broader market are reviewed and amended to support any proposed recommendations that come out of the two major reviews.

²² Ibid 27.

²³ Ibid 28-29.

²⁴ Ibid 30.

²⁵ Ibid 32.