29 March 2016

Tom Walker
Project Leader
Australian Energy Market Commission
Submitted via website
AEMC reference - GPR0003

Dear Tom,

Re: Pipeline access discussion paper

Thank you for the opportunity to provide comment on the Australian Energy Market Commission's (AEMC's) pipeline access discussion paper (discussion paper). We note the discussion paper provides further details on the capacity trading initiatives and considers the appropriate governance and regulatory arrangements that may support their implementation.

Stanwell's interest in the gas market is as a trader of gas and industrial buyer for the gas-fired Swanbank E and Mica Creek power stations. Swanbank E power station has a capacity of 385MW and is located 10km from Ipswich, QLD. Mica Creek power station is 218MW and is located near Mount Isa, QLD. Stanwell is an active participant in the Brisbane Short Term Trading Market (STTM) and the Wallumbilla hub.

AEMC Chapter 2: Implementing the initiatives

Stanwell supports an industry led approach to the implementation of the capacity trading initiatives[1]. While the discussion paper notes that industry led initiatives have not delivered the desired outcomes to date, Stanwell consider that this must be viewed in light of the relatively recent evolution of East Coast gas markets and the complex, time consuming nature of any fundamental market changes. The actions of pipelines in recent years demonstrate their increasing commitment to improve their service to customers and indicates that industry is now sufficiently incentivised by both commercial opportunities and the threat of regulation. Recent developments include the introduction of In Pipe Trade notional points, standard whole-of-network GTA templates, capacity trading platforms, the general reduction in routine fees and APA's commitment in their response to the Stage 2 Draft Report to pursue an auction for contracted but un-nominated capacity.

Stanwell agrees with the advantages the AEMC has listed of an industry led approach[2]. Stanwell suggests that unless industry is sufficiently involved in determining the specifics of the recommendations the proposals are unlikely to succeed. In our response to chapter 3 of the discussion paper Stanwell provides the example of how electricity market participants worked successfully through AFMA to standardise various forward electricity market and environmental product contracts. This is the model that should be employed for the AEMC's initiatives in the discussion paper.

[1] We note that in some areas, such as information provision, regulatory support may be required as an enabling measure

[2] Page 5-6

AEMC Chapter 3: Standardisation of capacity products and contract terms

AEMC Section 3.2.1 Standardisation of primary capacity contracts

In the Stage 2 Draft Report, the AEMC recommended that industry, with an appropriate level of regulatory oversight, develop more standardised primary and secondary capacity products to facilitate more secondary capacity trading.

Stanwell agrees with the AEMC that some GTA terms could be standardised through an industry led process. However, we note that pipelines already offer a standard GTA which can be used across different pipelines. That is, one GTA for use across the entire pipeline's network.

As noted by the AEMC, there is value in customising certain elements of GTAs including the type of service contracted, firmness, receipt and delivery points, maximum capacity, renomination rights etc. However, there should be no obligation on a shipper to accept the standard terms if this does not suit their business and risk profile. A shipper must continue to be able to negotiate a bespoke agreement.

Allowing bespoke agreements may appear not to support secondary trading, however, there will be a strong incentive on both the shipper and the pipeline to accept the standard terms where practical. The shipper will be motivated by the ease with which they can trade their capacity and the pipeline will be incentivised by the operational efficiencies of having shippers on the same terms. Not allowing bespoke agreements will increase the risk that the GTA does not appropriately match the gas transport risk and profile of some shippers. Where shippers strongly value such customisation, the potential loss of a fungible traded product does not necessarily imply inefficiency in the system.

Stanwell has participated in the development of standard terms for forward contracts, carbon clauses and environmental products related to the electricity market. This process was facilitated through the Australian Financial Markets Association (AFMA). Participants were motivated by a desire to increase liquidity in these products and understood that standard contracts would facilitate this. Once developed, the contracts were not compulsory to use however the majority of participants used the standard contracts. Where a transaction was negotiated between parties on different terms, the participants had appropriately assessed the costs of developing a bespoke contract with its resulting lack of fungibility versus the benefits of a contract which better matched its risk profile.

While standardisation of some terms in primary capacity contracts may be important, it is not as high a priority as standardising secondary capacity contracts. Even with a bespoke primary GTA, a shipper could sell parcels of a standardised secondary capacity contract. The shipper would be taking on some risk as the terms of their primary GTA may not match the secondary contract however the benefit may exceed the risk. In recent years, on numerous occasions, Stanwell has traded secondary capacity with terms that do not match its primary GTA. Stanwell has been comfortable to manage this exposure in order to provide a valuable product to other shippers and receive some revenue from the capacity sales.

The AEMC has raised the issue of the allocation agreements that have been entered into between shippers using a common receipt or delivery point. These agreements define how the gas delivered on a day is to be allocated between shippers. This is a complex issue as one shipper cannot unilaterally change the allocation agreement affecting other shippers. This issue requires further detailed consideration which could be undertaken through the

industry led process to standardise capacity. The same applies to items such as force majeure, permitted interruptions and imbalance tolerances and charges.

Stanwell is particularly wary of the proposed standardisation of prudential requirements and the associated creation of credit support arrangements. The AEMC has recently undertaken a review of financial market resilience in the NEM. As indicated in our response to that process we believe that poorly designed mandatory standards in this area can create significantly more problems than they solve.

Stanwell is supportive of an industry led process to also develop standard terms and conditions for hub services. Stanwell notes AEMO is already facilitating this process to support the "Optional Hub Services" development plan for Wallumbilla through the Gas Supply Hub Reference Group.

It would not be desirable to mandatorily implement the standardised terms and conditions in GTAs that are already on foot. This would involve significant risk to the pipeline and GTA holder. As discussed above, bespoke primary GTAs do not prohibit secondary trading in standardised products. In addition, shippers are likely to be adequately incentivised to transition to standard terms, where appropriate, in order to reduce their exposure when trading standardised secondary contracts.

AEMC Section 3.2.3 Receipt and delivery point flexibility

The AEMC appears concerned about the flexibility offered in primary GTAs to change receipt and delivery points. Stanwell has changed receipt and delivery points numerous times as well as the associated Maximum Daily Quantity (MDQ). To date, Stanwell has not experienced any problem with the flexibility or process offered by the pipeline in facilitating Stanwell's requests. However it is reasonable to restrict a pipeline operator's ability to reject a change to technical reasons only and to require the pipeline operator to respond to change requests within a specified period.

AEMC Section 3.3 Standardisation of secondary capacity contracts

The AEMC is of the view that trades executed through the capacity trading platform and day-ahead auction should be given effect through an operational transfer. The AEMC believes this will provide greater anonymity to the buyer and will alleviate the administrative costs to the seller (compared to a bare transfer).

The AEMC has considered that capacity trading can take one of two forms: operational or bare transfers. Capacity trading is also widely achieved through the process of locational swaps where the seller receipts gas at one location and delivers it at another location. Through this process gas may not physically be transported but rather offset against the seller's position at the two locations, or through changes to linepack. When considering locational swaps and bare transfers, Stanwell considers that bare transfers are simply a subset of locational swaps. Using the sellers existing GTA to transport gas (bare transfer) may be just one of multiple ways the seller could use to achieve a locational transfer.

In order of frequency of trade, Stanwell understands that capacity is currently most commonly transacted through locational swaps (which includes bare transfers and other techniques) followed by operational transfers.

One of the goals of the reforms is to increase the transparency and liquidity of capacity trading. It therefore seems inconsistent to select the least common method of capacity trading for exclusive listing on the platform. An approach which is more likely to succeed would be to list a generic "locational swap" product which pools sellers of all forms of "transport" between locations[3]. One product would concentrate liquidity, however, if there was a genuine concern regarding anonymity (which Stanwell questions) then a separate "operational transfer" product could be listed. This would add to the complexity of the exchange as the exchange would need the functionality to remove a seller's offer in the competing product if one of the offers was taken[4].

As with primary capacity contracts, it should not be mandatory for secondary capacity trades to take place through a standard contract. Buyers and sellers will be sufficiently incentivised to use the standard contract in order to pool liquidity and attract the best price. However, some shippers, because of a number of factors including their risk profile, may require a bespoke secondary capacity contract.

The AEMC has noted that AEMO has developed a standard contract that shippers can use to carry out bare transfers. The AEMC assumes that as trading in this contract has been relatively low, the terms do not match primary GTAs and therefore shippers are hesitant to use the contract. This assumption is used by the AEMC to underscore the importance of standardising primary capacity contracts. Stanwell disagrees with the AEMC's assumption and suggests the AEMC further investigate the cause of the current situation. As discussed above, the terms of a bare transfer contract do not need to match a primary GTA and bespoke arrangements form an important part of a functioning market.

AEMC Chapter 4: Capacity trading platform(s) and secondary trade information provision requirements

AEMC 4.2 Services that could be sold through the capacity trading platform(s)

Stanwell supports all relevant services (i.e. transportation, hub, pipeline storage services) being available through the platform and bilateral negotiation. Stanwell also supports services being sold on a firm, as available and interruptible basis, provided these terms are well defined. If the platform is operated by the pipelines, then Stanwell does not support the pipeline being allowed to list services through the platform in order to prevent the pipeline being afforded the benefit of information asymmetry. If the platform is operated by AEMO or another third party then Stanwell is comfortable in the pipeline transacting through the platform.

The AEMC is considering whether any restrictions should be placed on the number of services listed in the initial stages of development. Stanwell does not consider this necessary. Once industry has agreed a standard contract for a particular service, the service should be listed on the platform.

[3] Not including operational transfers

[4] A seller may have the ability to provide either forms of transfer but not both at the same time. Some exchanges have developed a "one cancels other" order type to allow a seller to offer (buyer to bid) both products simultaneously with minimal risk of being filled on both orders.

AEMC Section 4.3 Method to execute trades and the contractual, financial and operational elements of trades

Stanwell supports a simple, cost effective method for the capacity trading platform. 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.

Stanwell considers that development of the service dimensions of the listed product should occur through industry collaboration. An example of this is the manner in which products are developed for the GSH through AEMO's Gas Supply Hub Reference Group. Stanwell does not support the AEMC consulting in its regular manner on details of the nature of those in Table 4.1. This should be delegated to an industry group. By adopting this approach, the AEMC risks inadvertently creating an unsuitable contract that will not be successful. There are a number of NEM exchange traded contracts which were developed with little or no industry consultation and as a result failed.

Stanwell does not see a need to limit contract paths to those specified in Table 4.1. If standardisation is successful, the standard contract can be used to list all contract paths and traders should have this ability. Stanwell does not consider that the standard product should have no renomination rights. As most contracts contain renomination rights, and these are valued by shippers, they should form part of the standard contract.

AEMC Section 4.4 and Section 4.5 Single or multiple platform(s); responsibility for operating the platform(s)

Stanwell supports a single capacity platform being operated by AEMO through the GSH system Trayport. This appears to be the most cost effective and simplest method to establish an exchange traded capacity trading platform. In addition, many traders are already familiar with the features and functionality of Trayport. By having AEMO run the platform, this allows the pipelines to participate in the market, thereby adding to liquidity. For information transparency reasons, they should not participate in the market if they were running the platform.

Stanwell does not believe participation fees are likely to deter shippers from using the service. Many shippers are already participants at the GSH indicating that for these shippers the participation fee is worth the expense in order to gain access to the market. Stanwell expects the same to be true for future services.

AEMC Section 4.6 Bilateral trades outside of the platform

Stanwell agrees with the AEMC that there is still a role for bilateral trades outside the platform and that forcing all trades through the platform may discourage some participants from trading. Stanwell does not share the AEMC's concern that allowing bilateral trades outside the platform does not guarantee non-discriminatory access to capacity. Stanwell questions whether discriminatory practices are currently being undertaken and considers that if they are, the proposed reforms[5] are likely to clearly illuminate these practices.

[5] including information reporting and a standardised capacity trading platform

Shippers are unlikely to offer discriminatory terms or prices when the potential shipper is informed of the price of recent trades and has the option to trade through the platform.

Prospective bilateral trades should not be required to publish information on the prospective term and conditions of the trade to enable other buyers and sellers to compete for that capacity. If bilateral trades are occurring they are likely to be counterparty specific, bespoke deals meaning it may be difficult for other buyers and sellers to meet the terms of the trade. From the buyer's perspective, as the market is relatively small, the buyer is likely to have already contacted all the potential sellers in order to obtain the best price. To have the potential trade published, and to then have a different buyer purchase the capacity would prove to be an expensive, time consuming process for the original buyer.

AEMC Section 4.6.1 Bare transfers

The AEMC remains concerned about bare transfers discouraging trade due to the issue of commercially sensitive information. Stanwell is not aware that shippers are overly concerned about the confidentiality of their nominations. This is consistent with Stanwell's response to AEMO's request for feedback on hub services contracts set up as bare transfers or operational transfers or locational swaps. As a buyer of these services, Stanwell provided feedback that we are not overly concerned about the confidentiality of our nominations.

It is surprising that the AEMC should continue to consider options such as "prohibiting bare transfers on the grounds that they may discourage otherwise efficient trade because they require the revelation of commercially sensitive information to counter-parties". This is despite the feedback that the AEMC has received from Stanwell and others stating that we highly value bare transfers and that these are the most common form of capacity traded.

In addition, the proposal to mandate bare transfer capacity sellers to also offer operational transfers (with equivalent terms and conditions) is problematic. One of the goals of the reforms has been to encourage capacity holders to trade their capacity. A requirement for bare transfer traders to also offer operational transfers is likely to limit the extent to which bare transfer capacity sellers wish to trade their capacity at all.

AEMC Section 4.7 Secondary trade information reporting requirements

Stanwell supports the publication of secondary trade information in order to reduce search costs and support the liquid trading of capacity. We do not support the publication of secondary trade information that will reveal gas fired generators operational decisions in advance, to the detriment of these generators in the National Electricity Market. As the holder of one of the largest GTAs on the RBP, even aggregating transactions or delivery points will reveal Stanwell's transactions.

As discussed in Stanwell's previous submissions, the revelation of future gas usage is particularly concerning for peaking gas fired generators compared with baseload electricity generators. Electricity market participants frequently analyse and attempt to forecast the behaviour of peaking generators because of the significant effect these generators can have on electricity prices.

Knowing the AEMC's desire to publish capacity trading information, Stanwell has carefully considered what information is acceptable to publish. If Stanwell was planning reduced

operation at Swanbank E for September 2016[6], we may wish to sell a portion of our allocation of capacity for this month. Once traded, it would be acceptable for this trade to be published as:
xGJ of capacity trades at $y/GJ on the RBP, eastern haul, from start date to end date.

Enough information to support capacity trading would be provided by specifying the contract as "eastern haul" or "western haul" rather than specific receipt and delivery points or counterparty identities, together with the duration, size and price.

Stanwell believes it is appropriate to limit the reporting requirement to standardised capacity trades rather than bespoke agreements. If the reporting obligations are too onerous or reveal a gas fired generator's strategy, shippers may reconsider the need to trade short term capacity.

The publication of traded capacity is important and will help reduce search costs but the visible on-screen capacity market will be the best place for shippers to assess the current cost of capacity.

AEMC Section 4.8 and Section 4.9 When the information should be reported, What services should it apply to

If the only details reported are, as recommended by Stanwell, the size, tenor, price, pipe and direction then the information should be published as soon as possible after it has traded. This will provide the highest quality of information to the market.

If however the information reported is highly detailed, risking disclosure of commercially sensitive information, Stanwell does not support the reporting of information until the relevant contract period has concluded.

Stanwell supports the reporting obligation also applying to the secondary sales of hub services, storage services, and any other services provided by the pipeline.

AEMC Chapter 5: Auction for contracted but un-nominated capacity

AEMC Section 5.1 Auction design

The AEMC is considering the most appropriate auction design characteristics including whether pipelines should be segmented for auction; whether the auction should be an individual or combinatorial auction; the prices paid by winning bidders; the method of determining winning bids; the number of rounds in the auction; the scope of the auction; the institutional setting; and the allocation of auction residue.

Stanwell is concerned that the more complex the auction, the less likely the costs of developing and running the auction will be recovered from the auction revenue. There may be benefits to initially implementing a simpler auction and then transitioning to a more complex auction when necessary.

[6] Date selected for example purposes only. Stanwell has previously published it's intention in relation to the cold storage of Swanbank E.

The more the pipeline is segmented, the more complex the auction and the less likely that competition for a particular segment will ensue. Given the relatively small number of participants in the east coast market, it may be appropriate to segment auction capacity on a per pipeline basis. This may not lead to the most efficient allocation of capacity however it will avoid the complexity of determining a winning allocation or the price paid by the winning bidder. On implementation the auction could begin with the segments of entire pipelines[7], then if the auction proved popular and there is demand for sub-segments, the auction segment definition could be modified.

The AEMC is also considering whether to allocate auction segments individually or in combination. If segments are as large as entire pipelines, individual allocation could be considered. This will save on the complexity and cost of determining the preferred allocation of rights between bidders. Over time shippers will be able to forecast the likely clearing price and likely capacity available over different routes and will therefore determine for themselves the appropriate combination of segments to bid on. In order to avoid unnecessary implementation costs, Stanwell suggest the auction begin as an individual auction and if required, transition to a combinational auction at a later date.

Stanwell agrees with the AEMC that the first price rule should be applied in the auction. That is, bidders pay the value of their winning bid. This has the advantage of simplicity and is the most common method to run an auction. If bidders wish to actively manage their bidding strategies by submitting bids lower than their willingness to pay, it is their own transaction costs (rather than other shipper's costs) that will increase. In addition, the auction will be held on a daily basis meaning prior auction outcomes will be incorporated into a shipper's strategy. It is therefore unlikely that a shipper will miss out on highly valued capacity. The first price rule also provides greater flexibility to transition from individual allocation to combinatorial allocation at a later date if required.

If a combinational auction is chosen, Stanwell supports the AEMC's choice of maximising profit rather than capacity or revenue.

Stanwell supports the AEMC's choice of a single round for the auction.

Regarding the scope of the auction, (whether it be held on a per pipeline, per owner or per network basis), Stanwell is comfortable for the auction to be held on a per pipeline basis. As the auction will be held daily, the 'exposure problem' (where participants manage to purchase some but not all of the desired route) is less of a problem. This is because the 'exposure risk' would be well known and understood by participants through observing prior auction outcomes. Holding the auction on a per pipeline basis has the advantage of simplicity and transparency as optimisation algorithms and computational power are not required to determine winning bidders.

Stanwell supports either the pipeline, AEMO or a group of pipelines operating the auction. If AEMO is selected, it must have the ability to recover all its costs from auction beneficiaries (buyers and pipelines).

Stanwell supports a portion of the auction revenue being used to cover the cost of the auction. Stanwell supports only shippers being able to participate as buyers in the auction in order to ensure that cleared prices reflect the underlying demand for capacity.

[7] Or clearly defined liquidity points, such as Condamine- Wallumbilla for western haul only.

AEMC Chapter 6: Implementing the auction

AEMC Section 6.1 Pipeline and service participation in auction

As the rationale for the auction is to address contractual congestion as well as to undermine the market power held by pipeline owners in the market for day-ahead capacity, Stanwell considers that the auction should apply only on those pipelines that are fully, or practically fully, contracted. Otherwise, the incentive for shippers to enter into longer term contracts with the pipeline will be diluted. This could lead to a spiral of fewer shippers contracting, and therefore an ever decreasing amount of un-nominated capacity available to auction.

The AEMC is concerned that a pipeline may deliberately only partially contract (say to 99 percent) in order to avoid a requirement to hold an auction. If this were the case, the trade reporting and enhanced information arrangements through the Bulletin Board would clearly reveal this. This is likely to provide an adequate deterrent for the pipeline to avoid this behaviour.

The AEMC has recommended that pipelines be exempt from holding an auction on a case by case basis. This is likely to be controversial and expensive. A simpler alternative is to hold the auction only on pipelines contracted above a certain level (say 90%). It is likely that the pipeline will always be incentivised to sell more capacity to firm up revenues rather than sell less in order to avoid the cost and inconvenience of an auction.

In order to achieve the objective of providing fairly priced day-ahead capacity, the auction buyers should be limited to shippers only.

Stanwell supports the auction being 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.

AEMC Section 6.2 Determining auction parameters

The AEMC has engaged NERA to consider the appropriate auction reserve price. NERA has concluded that the reserve price should be set at the Short Run Marginal Cost (SRMC) which they believe equals the cost of the incremental gas used to run compressors.

Stanwell supports the AEMC's conclusion that auction participants should meet the incremental cost of providing gas to compressors through providing it as fuel gas in-kind to the pipeline owner. Shippers already provide gas to the pipeline owner in a similar manner through their GTAs in a process known as System Use Gas. For participants to factor into their auction bids the cost of this lost gas, a fixed percentage must be determined and published in advance of the auction. Ideally the fixed percentage would not change very often.

Stanwell supports the AEMC's conclusion that the costs of running the auction (including fixed system costs) should be recovered from the beneficiaries of the auction, that is buyers and pipelines. Stanwell's preference is that this is recovered from the auction revenue, and if this is not adequate, from a participation fee similar to the way costs are recovered in the STTM.

Stanwell agrees that the process for determining the amount of capacity to auction is likely to be simple. Having the AER approve a pipeline's methodology and regularly review its

implementation may be excessive. Transparent information on contracts and pipe capacity is likely to be enough to deter a pipeline from deliberately withholding capacity to increase the auction clearing price.

AEMC Section 6.3 Interaction with existing nomination and re-nomination rights

Stanwell agrees with the AEMC's characterisation of the problem of existing re-nomination rights and interaction with the auction. As noted by the AEMC, the problem is particularly material for gas-fired generators who may be attempting to respond to un-forecast spot prices.

Stanwell wishes to protect its ability to re-nominate capacity in order to flexibly operate the gas-fired Swanbank E power station. However, we also support the ultimate goal of the auction to support a liquid wholesale market for gas. Therefore, Stanwell has carefully considered each of the AEMC's proposed options to address the problem of re-nominations: withholding capacity; interruptible capacity; a combination of withholding capacity and interruptible capacity; more frequent auctions.

Stanwell believes 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. The proportions withheld in the AEMC's German example appear appropriate, that is a maximum of 10% is released to the auction. If this were applied in Australia, it is reasonable to expect that on an under-utilised yet fully contracted pipeline, 10% of the pipeline's capacity will be available through the auction. On most pipelines this is a large volume and is likely to far exceed the demand for day-ahead capacity.

The AEMC has noted the "withhold some capacity" auction may be complex. The formula for determining the proportion of capacity released to the auction need not be complex. This is demonstrated by the simple formula used in the Germany. There appears to be no need to take into account uncertain and un-auditable factors such as the probability of renominations and the likely impact of renominations.

The German example specifies a 2 hour lead time for renominations. This is obviously unworkable for a gas fired generator operating in the highly dynamic electricity market. Generators currently re-nominate at any time, subject to the terms of their GTA. The "withhold some capacity" auction enables participants to flexibly re-nominate on a gas day to meet changing market conditions.

The other options proposed by the AEMC to address the re-nomination issue have serious flaws. The "interruptible capacity" option releases capacity which is unlikely to be valued by shippers. The lack of firmness of capacity would make it extremely difficult for Stanwell to use such interruptible capacity to transport gas traded at the GSHs or STTMs. Stanwell agrees with the AEMC that the complexities of the European oversell and buyback approach are not warranted.

The "combination of firm and interruptible" option adds complexity. Provided the "withhold some capacity" option is set at a reasonable level (such as that provided in the German example) the extra complexity of the low value interruptible capacity is unnecessary.

The “more frequent auction” is likely to be complex and costly. It may also reduce the clearing price of the auction as buyers may be split across the auction. The complexity appears unwarranted for the east coast gas market.

Stanwell appreciates the AEMC’s analysis of curtailment order and agrees with the AEMC that “It therefore seems appropriate that the capacity released in the auction is curtailed ahead of firm capacity”[8]. Stanwell suggests the curtailment ranking be below firm and above as-available capacity.

The AEMC is concerned that as-available rights may be inconsistent with the proposed auction. Stanwell does not see this as a concern and considers as-available contracts to be an important part of the overall suite of transport options to available shippers.

The holder of an as-available contract could nominate prior to the auction, in which case the capacity available at auction may be reduced. As the shipper has entered into a longer term contract and is likely to be paying a higher price than the cleared auction price, this is an acceptable consequence. Alternatively the as-available contract holder may hold off nominating and bid at the auction, attempting to gain a better quality of service at a lower price. If the shipper is not successful at auction, they can then renominate as-available capacity under their contract (albeit with a likely reduction in “availability” due to the auction having allocated capacity). Stanwell expects that as-available contracts will act as a backup to auction capacity and should not be prohibited.

The AEMC suggests that shippers may be confident oversupplying the STTM assuming that they could acquire capacity at the day-ahead auction and then submit a Market Schedule Variation (MSV). This is unlikely to be the manner in which many shippers would prefer to operate due to cost and risk. It is more likely that shippers would enter into an as-available contract with the pipeline operator, trade transparently on the STTM, and then nominate the as-available contract if no capacity could be obtained at auction.

[8] Page 71

AEMC Chapter 7: Information on primary capacity purchases

The Stage 2 Draft report recommended that the actual (not advertised) price of all primary capacity sales, and terms and conditions of those sales which might impact the price, be published. Stanwell does not support this recommendation. It is enough that the price of standardised secondary products be published. Primary capacity trades usually contain a number of specific negotiated terms as well as price indexing and other factors which would be hard to publish in a useful manner. For example, the standard GTA is 91 pages long but the final negotiated GTA may be longer with terms and conditions unique to each participant.

Primary trades are also for a longer term which means that even if minimal information is published (as recommended by Stanwell for secondary trades[9]), the publication of this information would reveal the time period over which the capacity contract applies[10], potentially exposing commercially sensitive information.

Thank you for your consideration of Stanwell's response to the consultation paper. If you would like to discuss any aspect of this submission, please contact Jennifer Tarr on 07 3228 4546.

Regards

Luke Van Boeckel
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Energy Trading and Commercial Strategy

[9] Size, duration, price, pipe and direction only

[10] For example it could be safe to assume that a 15 year contract would be continuing to apply in 5 years