



# **Submission GRC0033**

**Enhanced Information for Gas  
Transmission Pipeline Capacity  
Trading**

**August 2015**



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## Introduction

The Australian Pipelines and Gas Association (APGA) welcomes the opportunity to comment on the Australia Energy Market Commission's (the Commission) Consultation Paper for the CoAG Energy Council's National Gas Amendment (Enhanced Information for Gas Transmission Pipeline Capacity Trading) Rule 2015. APGA is the peak body representing Australia's gas transmission infrastructure. Its members build, own and operate the gas transmission infrastructure connecting the disparate gas supply basins and demand centres of Eastern Australia, offering a wide range of services to gas shippers, producers, retailers and users.

APGA accepts the intent of the rule change request to address information barriers to pipeline capacity trading through a low-cost, light-handed approach. Such an approach is well-aligned with similar initiatives that can be pursued in the near term as an outcome of Stage 1 of the Commission's East Coast Wholesale Gas Market and Pipelines Frameworks Review. APGA notes that Stage 2 of this review will further consider issues around pipeline capacity trading, including potentially more substantial changes to the regulatory framework. APGA strongly encourages the Commission to continue to apply a rigorous approach to assessing the case for reform throughout Stage 2.

With regard to the information proposed by the CoAG Energy Council, APGA:

- Supports information systems proposed;
- Questions the utility and efficiency of a 36-month outlook for uncontracted firm capacity; and
- Considers AEMO should be able to also use information provided for NGBB monitoring and compliance functions for planning and forecasting purposes.

Whilst the cost benefit analysis conducted by NERA for the CoAG Energy Council did not find a net benefit arises from enhanced information, APGA accepts NERA's conclusion in regard to enhanced information for gas transmission capacity trading. The rule change request:

*...is a light-handed regulatory approach that has the potential to: reduce transaction costs; make fundamental information available to facilitate transactions and enable additional gas to be delivered to market; and better enable the decision making of policy makers. The timely provision of this information in a way that addresses substantive confidentiality issues appears to be in the interests of all market participants.<sup>1</sup>*

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<sup>1</sup> NERA CBA, page II



It is important to also consider that a version of the third option analysed by NERA in its cost benefit analysis, voluntary trading platforms, is now also available to market participants. It is available through the industry developed capacity listing platforms of APA Group and Jemena, and the enhanced National Gas Bulletin Board (NGBB) listing platform implemented by the Australian Energy Market Operator (AEMO).

With regard to the additional information canvassed by the Commission, APGA proposes the facility operators include a standard table in maintenance information notices to assist AEMO in publishing a centralised report. It is not clear that the issues being addressed by the publishing of medium-term capacity outlooks, information asymmetry and maintenance scheduling, are sufficiently material to warrant major changes to existing practice.

In the Consultation Paper, the Commission has posed a number of questions that have been subject to analysis in multiple review processes over many years. From APGA's perspective, it is reasonable to consider if the continued revisiting of some issues is now impacting the effectiveness of gas market reform processes.

Effective reform processes should not continually revisit the same issues. Linepack has been a feature of gas information analysis and debate since the development of the NGBB. Advocates of the information have failed to make the case for its utility, yet claims continue to be repeated and debated in every transparency process.

Effective reform processes should undertake genuine incremental change. When review of reform occurs, it should seek to genuinely improve existing arrangements. It should not reintroduce proposals already rejected in previous reforms. In this rule change request, the AEMC has reopened questions from AEMO's 2014 Capacity Outlook Information rule change request, including the utility of a 12-month capacity outlook, updated on a monthly basis. This was soundly rejected by the majority of participants in AEMO's 2013 process to develop its rule change request for medium-term capacity outlooks.

Effective reform processes should produce recommendations and outcomes that reflect the details discussed during consultation. In this rule change request, the CoAG Energy Council has proposed a 36-month uncontracted firm capacity outlook. This is considerable increase on the 365-day outlook, which was part of the consultation. Also, it appears that such an extension has not been publicly proposed by any participant in the process.

Effective reform processes should acknowledge a very basic principle, increased data provision has direct and indirect costs. It is not effective to ask market participants if more information is warranted without considering what they have been willing to pay for in the



past and what they are willing to pay for in the future. If market participants are asked if more information, provided at no cost to them, is a good idea, they will say yes. This does not mean that the information is meaningful or that its provision will deliver a net benefit to the market.

Effective reform processes should recognise that transparency pursued for transparency's sake can increase complexity by providing information that is not necessarily relevant to market decision making. .

APGA is supportive of reforms that will improve the environment for capacity trading and provide useful information to market participants. Enhanced capacity trading assists market participants, particularly shippers on pipelines, to manage volume risk and respond to opportunities to access short-term gas supplies. Such assistance is vital to the ongoing health and growth of gas markets in Australia.

APGA's responses to the questions posed in the Commission's Consultation Paper are below.



## **Issue 1 Barriers to secondary capacity trading**

### **1. Is there currently unmet demand for secondary pipeline capacity? If not, under what circumstances and over what time frame could there be increased demand?**

The Commission has referred to the cost benefit analysis conducted by NERA to assess the options considered in the CoAG Energy Council's RIS process and noted on page 11 that NERA found:

*Option 2 would result in only very small increases in capacity traded, and potentially no increase.*

NERA stated on page 35 of its report:

*Our qualitative reconciliation of available capacity and demand on each pipeline reveals that:*

- *there is unlikely to be significant demand for most available capacity on most pipelines because the periods where capacity is available do not align with expected capacity demands; and*
- *where there is demand for capacity, it appears to be coincident with periods of limited availability of capacity.*

*In other words, we have not found any evidence to support a conclusion that there is significant un-met demand for available pipeline capacity. It follows that this qualitative assessment has had a significant influence on our estimation of the associated benefits of the policy options.*

NERA did not consider it was likely that Option 2 or 3 would significantly increase capacity trading because it was not convinced there was significant unmet demand for available capacity trading.

APGA notes that NERA relied on anecdotal evidence for this conclusion. It is clear from the list of stakeholders provided on page 69 of the cost benefit analysis that those market participants who have advocated for regulatory intervention on capacity trading were engaged with NERA during this process.

APGA agrees with NERA's conclusion. It is unlikely that there is significant demand for secondary capacity in an environment where, on any given day, all gas users are demonstrably meeting their gas requirements. If there is no unmet demand for gas it seems logical there should be a corresponding lack of unmet demand for secondary capacity. (Difficulties in securing future supplies should not be confused with the current operation of the market.)

Based on APGA's observations, it appears the main advocates for enhanced capacity trading are those parties that envisage having occasional large volumes of gas to make



available to the market for short periods. Whilst it is important that on such occasions the market can appropriately allocate such gas, the current evidence suggests existing arrangements around the Wallumbilla Gas Supply Hub (GSH) have been able to allocate this available gas. APGA is not aware of any parcels of cheap gas experiencing difficulty in being traded at the GSH. For the most part, gas users, who understandably tend to place a higher value on security of supply than do producers, do not seem to have an unmet demand for secondary capacity.

Nevertheless, it remains quite possible that demand for secondary pipeline capacity could increase in the coming years. It is apparent that gas supply arrangements are changing, primarily through a decrease in the availability of traditional long-term agreements. As gas supply arrangements change, it should be expected that transportation arrangements will also change.

The evidence is clear that the gas transmission industry is responding in anticipation of such changes, through development and implementation of new services such as operational capacity transfers and capacity listing platforms. Shippers have always had the contractual rights to trade capacity rights and these new services enhance the ability of shippers to trade capacity rights to third parties.

Since the commencement of the CoAG Energy Council's consideration of pipeline capacity trading, APA Group, Jemena and AEMO have each put in place capacity listing platforms to enable both capacity holders and seekers to efficiently and publicly signal pipeline capacity available for trade and demand for traded capacity. The low level of utilisation of these services by both capacity holders and seekers is a clear indication of a low level of unmet demand for secondary pipeline capacity.

APGA also notes that the Commission has misstated the link NERA made between increased capacity trade and retail gas prices. The Commission has stated on page 11:

*NERA found that:*

- Option 2 would likely only result in very small increases in capacity traded, and potentially no increase.*
- For this reason, it is unlikely that the implementation of Option 2 would impact on retail gas prices.*

NERA actually stated that increased capacity trade is unlikely to introduce sufficient new volumes of gas to have an impact on retail gas prices. From page 47 of NERA's report:



*Regarding retail gas prices, because the likely volumes of additional gas that could be brought to market following the implementation of Option 2 measures are likely to be relatively small, it is not expected there would be an impact on retail gas prices.*

The distinction is important. NERA did not make a link between the cost of capacity access or the level of capacity trading and retail gas prices, as implied by the Commission's summary of NERA's findings.

Transmission tariffs are a very small component of retail gas prices. The Australian Energy Regulator<sup>2</sup> has estimated that transmission charges contribute from 3% to 8% to delivered retail gas prices across Australia. Whilst capacity trading may have impacts on the price at which some market participants access pipeline capacity, this will not materially alter retail prices.

Pipeline capacity is not a substitute for gas supply. Capacity can be reallocated through trade, but only additional gas being supplied into a market will materially impact gas prices. As APGA noted in our introduction, in order to increase the level of capacity trading increased volumes of short-term gas supply would need to be available.

**2. In your experience, to what extent are search and transaction costs a barrier to secondary capacity trading? Would the information proposed in the rule change request reduce these costs?**

The information proposed has the potential to reduce transaction costs in a relatively low cost manner. It would add to the capacity listing platforms, operational capacity transfer service and standard terms and conditions developed by AEMO to improve the environment for capacity trading.

APGA considers such an approach is appropriate.

**3. What costs would be incurred in providing the additional information proposed in the rule change request and this consultation paper?**

Each BB facility has different systems in place. Therefore, in order to provide the proposed information, these would require differing degrees of modification. To estimate the costs associated with providing any information, it is necessary for each proposal to be sufficiently detailed to provide an exact data point. Whilst the information included in the rule change proposal is sufficiently detailed to do so, the additional information flagged by the AEMC is not.

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<sup>2</sup> AER State of the Energy Market 2014 p117



What is known is that all information provision has a cost. These costs have a direct component, the costs associated with system and process modification, testing, data submission and validation and ongoing monitoring of systems. They also have an indirect component, the costs arising from exposure to penalties and reputational impacts of non-compliance. In the case of the information proposal for the publishing of a 36-month outlook of aggregated contracted position, pipeline operators must also consider the impacts on future negotiations and share market sentiment.

In addition to assessing the costs and benefits of a proposed intervention, their distribution must also be considered. It should be a fundamental principle of gas market reform that any costs arising from reform intended to enhance the ability of some market participants to make commercial decisions should be recoverable. Enhanced trading of secondary capacity will benefit shippers and capacity acquirers. The additional transparency may benefit other market participants and policy makers. The costs of enhanced data provision will fall on pipeline operators.

This principle is particularly true when considering reforms to increase transparency. It is inevitable that market participants will respond positively to proposals that increase the level of information available to them at no cost.

The rule change request does not detail any benefits to pipeline operators arising from the publication of enhanced information, yet the recovery of costs associated with the new obligations is not canvassed in the paper, and the CoAG Rule change proposal dismisses them as immaterial. APGA notes that pipeline operators have experienced steady incremental increases in information requirements over recent years, with each considered to be immaterial. In aggregate, however, these additional requirements increase regulatory burdens, costs and risks for pipeline operators, with no commensurate benefit to those operators. As a matter of principle, those parties that benefit from information should bear some costs associated with the provision of that information.

Pipeline operators are often placed in the position of aggregator of information. In this rule change request, it is possible that each shipper could provide their own receipt and delivery point information to AEMO. Clearly, this is not the most efficient outcome and APGA accepts pipeline operators are well placed to provide that information. However, the most efficient outcome is clearly not a zero-cost outcome.

Similarly, it is proposed that pipeline operators provide shipper contact details to the NGBB to reduce the search and transaction costs of capacity trading. Pipeline operators should



not be required to act as the go-between when such information requires updating. This point has been highlighted during the consultation process.

“Aggregation and information services” as defined in Part 18 of the NGR should be amended to also refer to the additional information requirements arising from this rule change, allowing pipeline operators to seek cost recovery from AEMO under r.197.

## **Issue 2 Other benefits from additional information**

### **4. What other benefits will the proposed additional information provide to market participants and stakeholders?**

APGA will address specific issues regarding additional information provision in the response to each section.

### **5. Is the new role proposed for AEMO an appropriate mechanism for monitoring compliance with Bulletin Board registration and reporting requirements? Is proposed subrule (9) too prohibitive?**

APGA considers proposed subrule (9) is too prohibitive. As noted in the rule change request, some pipeline operators already provide AEMO disaggregated information on a voluntary basis for use in the GSOO. Pipeline operators should not be in a position of providing the same information twice, on both a mandatory and a voluntary basis.

It would be more efficient if AEMO were to use the disaggregated flow data proposed in this rule change request for both its BB functions and to inform its forecasting and planning activities. It is not appropriate for the disaggregated information, provided to inform AEMO's forecasting and planning activities, to be published.

## **Issue 3 Granularity of proposed data**

### **6. Is the proposed granularity sufficient to address the issues raised by the rule change request and summarised in section 3.1 of this paper?**

The proposed granularity is sufficient to address the issues raised by the rule change request in a low cost manner. The CoAG RIS sets out the reasoning behind pursuing a low cost measure at this time.



**7. Do you have any concerns regarding the data resolution, reporting frequency and outlook periods? Does the proposed rule contain a sufficient level of detail on data granularity?**

APGA is concerned by the proposal to require pipeline operators to provide an uncontracted primary capacity outlook of 36 months for a number of reasons.

Throughout the CoAG RIS process and subsequent consultation on enhanced information, the consultation and discussion centred around a 365-day capacity outlook. The proposal to provide an uncontracted primary capacity outlook for a 12 month period was first made by APGA.

**Utility of a longer-term capacity outlook**

When considering the forward period to be covered by a capacity outlook, there is the need to consider market participants' behaviour regarding contracting and exercising of any recontracting options. Feedback from APGA members is that existing shippers are unlikely to negotiate future contractual requirements until close to the end of their existing arrangements and potential shippers are unlikely to approach pipeline operators for future capacity requirements so far in advance.

The exception to these timeframes for seeking firm capacity is negotiations started by pipeline operators when seeking to gain commitments to invest in new capacity. The construction lead times are such that shippers need to make advance decisions regarding future requirements.

**Ability to provide a meaningful longer-term capacity outlook**

The rule change request has appropriately defined uncontracted primary pipeline capacity to mean

*spare capacity on a BB pipeline that is available for sale by a pipeline operator as primary pipeline capacity*

Until a shipper indicates its intentions regarding any options to recontract capacity, that capacity cannot be considered available for sale. It is highly unlikely that shippers will indicate clear intentions, and certainly not make commitments, in this regard more than 12 months in advance. This renders a 36-month outlook far less meaningful.



### Information to enhance capacity trade

With regard to 'trading' timeframes and the requirements of market participants, the Wallumbilla Gas Supply Hub provides the best public insight into demand for short-term arrangements and trading on Australia's East Coast. Since coming into operation in March 2014, almost 850 trades have taken place. Of these, over 800 are for the short-term supply of gas in the following 48 hours (balance of day, gas day and day ahead). 41 are for the week ahead. Zero month-ahead trades have been executed.

A 36-month outlook appears unnecessary to enhance market participants' ability to undertake capacity trades to transport short-term volumes of gas.

### Influence of a longer-term outlook on financial and investment markets

APGA is also concerned that such an extended forward outlook presents both the gas market and the investment market with unwarranted insight into pipeline operators' and shippers' contractual positions (particularly for large shippers, the identity of which are disclosed through other aspects of the Rule change proposal). APGA is not aware of any other market that requires such disclosure.

There does not seem to be a strong case for a 36-month outlook. Rather, there is considerable potential for unforeseen damage should gas market or financial market participants form an inaccurate view of the risks facing a particular business (pipeliner or shipper) based on the contracting status of a pipeline long before material decisions regarding the need for that capacity have been considered by relevant market participants.

## Issue 4 Other information gaps

### 8. To what extent would these additional categories of information address the issues raised in the rule change request?

APGA believes these additional categories of information would not address the issues raised in the rule change request. Given that much of the additional information was directly considered by the CoAG Energy Council process and is not included in the rule change request, it can be assumed that the CoAG Energy Council and government officers conducting the process also do not believe the additional information would address the issue.



Some of the additional information raised by the Commission was itself the subject of a rule change request in 2014.

It is difficult to understand how the Commission revisiting these issues now as part of its consideration of the rule change request will reveal any new information that would lead to new conclusions regarding its utility. It is to be expected that market participants will advocate for the information to be provided and published. As APGA has noted, when there are no costs involved for those parties they are not penalised for seeking information they are unlikely to need or use.

Reform processes should lead to informed, definitive decisions that are implemented and given time to have effect. Whilst it is appropriate from time to time to consider further improvements, it is not effective to continually repeat recent discussions. Not only does it require the reviewing organisation and participants to allocate resources to address the issues, it encourages those parties that lose the debate to continue to agitate for changes they consider to be to their advantage.

**9. How would these categories of information be useful to you if they were to be published on the Bulletin Board?**

APGA will address each category of information specifically in the relevant section.

**10. What costs are involved with reporting these additional categories of information?**

APGA will address each category of information specifically in the relevant section.

**11. Do you have confidentiality concerns or consider there are other risks associated with publishing this data?**

There do not appear to be any confidentiality issues arising from the additional information.

**12. Having regard to the scope of the AEMC's more preferable rule making power, are there any other information gaps or potential solutions that should be considering during this rule change process?**

The information gaps around capacity trading have been comprehensively analysed during the CoAG Energy Council process. Several pieces of the additional information have also been subject to AEMO processes. It is unlikely there is more meaningful data to be discussed at this time. Any further data requirements of the market should be considered



as part of Stage 2 of the Commission's Review of Facilitated Markets and Pipeline Frameworks' work on the NGBB.

APGA notes that essential work on the NGBB is still to be completed by AEMO. Part of this work included revision to existing zones definitions. Further suggestions have been made to add a new type of zone, a 'transit zone' to assist the market to interpret information and account for all gas flows. APGA believes that completion of this work is essential before further incremental information requirements are considered. For example, clear, simple to understand zone definitions and reporting will make clear when there is an imbalance in receipts and deliveries in a section, which will provide zonal information in respect of linepack that is more meaningful than linepack data provided in isolation. A broader look at the NGBB and the information it should be delivering in its current form may show that some of the additional information canvassed in the AEMC Consultation Paper is unnecessary should the NGBB be reformed to deliver the outcomes it was originally designed to achieve.

### **Issue 5 Storage facilities**

**13. How would more additional information on storage facilities be useful to you?**

**14. Would reporting by storage facilities that are currently covered by the exemption criteria result in the provision of useful information?**

APGA considers it appropriate that all BB facilities are subject to similar information provision obligations.

### **Issue 6 Medium term capacity outlook**

**15. What has been your experience with providing or using the medium term capacity outlook data since the National Gas Bulletin Board Capacity Outlooks rule came into effect in January 2015?**

**16. Would a centralised medium term capacity outlook for all BB facilities be useful to you?**

AEMO has recently provided information to the Gas Wholesale Consultative Forum that shows the capacity outlook report receives an average of 5.5 hits per day. AEMO has not provided information on the number of unique visitors or repeat visitors to this report.

From APGA's perspective, the two key issues raised in the 2014 rule change request have been addressed. Maintenance information notices are now provided to the market,



removing any information asymmetry. The materiality of maintenance scheduling issues is low, maintenance scheduling has not resulted in gas supply issues.

A centralised medium term capacity outlook for all BB facilities may be of use to market participants. The publication of data in a standardised format is not contingent on it being provided in a standardised format.

As the Commission is aware, medium term capacity information was subject to its own rule change request, developed and presented by AEMO in November 2013. AEMO conducted a comprehensive process to arrive at the rule change request. During this process, at a meeting on 23 July 2013, AEMO made it clear that it would be simple for it to manually aggregate existing maintenance information notices into a central report<sup>3</sup>. It does not appear that, to date, there has been any further discussion of such a prospect until this Consultation Paper.

### Costs of processing and publishing maintenance information

AEMO estimated an ongoing annual cost associated with the rule change of \$41,000 in the first year and inflated at the inflation rate in following years. AEMO is the operator of and planner for Australia's national energy markets. It is reasonable to expect it to be able to accurately plan and cost its ability to undertake the tasks embodied into its own rule change requests. Given the other components of the rule change request required no ongoing management by AEMO, it also seems reasonable to assume this ongoing cost relates primarily to the management of the maintenance information notices that comprise medium-term capacity outlooks.

The Consultation Paper suggests AEMO has indicated to the Commission that the current arrangement is not working because:

- it must format large volumes of email correspondence for uploading; and
- it is not currently able to compile this information into a centralised report.

With regard to the first point, the formatting of email correspondence undertaken by AEMO is minimal, being a simple cut and paste of a notice onto an AEMO formatted page and the naming of a file. A review of the BB on 28/07/15 shows that 245 emails have been published in almost eight months.

If it is conservatively assumed that the formatting and uploading of each email takes five minutes and that 40 emails are received each month, this would indicate a workload of

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<sup>3</sup> In its summary of actions arising from the 23/07/13 workshop, AEMO noted manual aggregation of maintenance notices as a possible enhancement.



around 200 minutes each month. A workload of three hours and twenty minutes per month seems well within the bounds of the anticipated annual ongoing costs of \$41,000.

It also seems reasonable that the entering of relevant information from each maintenance notice into a centralised report would take an additional five minutes per email. A doubling of the workload to six hours and 40 minutes per month still seems well within the bounds of AEMO's anticipated annual ongoing costs of \$41,000.

### **A 12 month rolling capacity outlook increases complexity for facility operators and market participants**

APGA accepts that standardised reporting would make it easier for AEMO to provide a centralised report.

However, it is unreasonable to expect the existing 52<sup>4</sup> NGBB facilities to substantially modify current maintenance reporting arrangements, both in the information provided in maintenance notices and in the form in which they are provided, to inform the publishing of a centralised report of questionable utility to market participants. In particular, a 12-month rolling capacity outlook would require changes to:

- The process to assess maintenance activity. APGA is not aware of any NGBB facility that provides medium-term numerical estimates of the impact on maintenance activity on capacity. Any impacts of maintenance activity on capacity are reflected in the seven-day capacity outlook already provided to AEMO.
- Internal IT processes and systems that would, in some cases individually and certainly in aggregate, dwarf the effort required by AEMO to develop its own single process to produce a meaningful report.

This cannot be considered a more efficient outcome.

APGA considers a traffic light indicator is superior to a numerical estimation of an activity's impact on capacity for two reasons:

Firstly, a numerical estimation provides no indication to market participants of a facility's ability to meet expected demand on the day. Market participants would have to form their own view as to whether the maintenance activity is material or not. At best, that would be an exercise that requires some resources. At worst, market participants may make incorrect decisions based on a numerical estimation and make alternative supply arrangements that are unnecessary and costly.

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<sup>4</sup> The BB Facility Report on the NGBB contains 52 entries. It is apparent that some facilities, primarily multi-zone pipelines, are entered more than once. The actual number of facilities is probably around 45.



Secondly, numerical estimations of impact on capacity are a substantial undertaking. Forecasting system capacity is complex. The AEMO Victorian Annual Planning Report defines System Capacity as:

*The maximum demand that can be met on a sustained basis over several days given a defined set of operating conditions. System capacity is a function of many factors and accordingly a set of conditions and assumptions must be understood in any system capacity assessment. These factors include:*

- *load distribution across the system*
- *hourly load profiles throughout the day at each delivery point*
- *heating values and the specific gravity of injected gas at each injection point*
- *initial linepack and final linepack and its distribution throughout the system*
- *ground and ambient air temperatures*
- *minimum and maximum operating pressure limits at critical points throughout the system, and*
- *powers and efficiencies of compressor stations.*

These factors are complex and constantly changing and cannot be foreseen months in advance. As a result, a pipeline operator typically models operational capacity only for the short-term forward period for which there are reliable weather forecasts, linepack is known, etc. Every other day of the year, the nameplate capacity is assumed to be the pipeline's capacity.

In APGA's view, the provision of a 12-month rolling capacity outlook is an example of a transparency initiative that increases the complexity of both reporting for facility operators and analysis required by market participants with very little, if any, material increased benefit. The publishing of all maintenance notices has addressed the information asymmetry issue identified in the original rule change request. It is also apparent that existing maintenance scheduling practice has not caused any supply issues for markets. As such, it is not clear how the publishing of 12-month rolling capacity outlook will result in improved outcomes.

### **Simple standardisation to assist centralised reporting**

It is clear to APGA that the management of existing maintenance information notices by AEMO is the lowest cost, most efficient manner to have this information provided to market participants.

To support AEMO's management of maintenance information, APGA proposes that existing facility maintenance information notices be modified to include a table that provides:



- Facility name.
- Activity start date.
- Activity end date
- A traffic light indicator showing expected impact on ability to meet market requirements.
- A text field for further description.

The definition of the traffic light indicators needs to be determined. The existing Linepack Capacity Adequacy Indicators provide a good starting point for discussion.

This can be readily entered into a centralised report by AEMO. Such an approach requires changes to existing facility operators' practice that would be far less burdensome than a 12-month rolling capacity outlook. Given the materiality of issues the medium-term capacity outlook is intended to address, it is appropriate to pursue low-cost refinements.

## **Issue 7 Linepack**

### **17. Would more information on linepack be useful for market participants and lead to more efficient decisions and response to events?**

APGA is aware of five processes in the past seven years that have considered the utility of linepack information. These are:

- Vencorp/AEMO's development of the National Gas Bulletin Board in 2008;
- AEMO's 12-month review of the STTM and associated review of gas market information in 2011;
- AEMO's revised capacity outlook process in 2013;
- CoAG's consideration of enhanced information for capacity trading in 2014;
- The current rule change request determination process.

On each occasion, the conclusion is that the only relevance of linepack data to the efficient operation of the gas market is to flag the risk of supply curtailment, which is done effectively by the existing Line-pack Capacity Adequacy ("traffic light") system on the Gas Market Bulletin Board. This system is efficient and works well. It informs market participants on the ability of the pipeline to meet market requirements.

The provision of a numerical linepack data point does not do this.



Linepack is used in a pipeline to manage the contractual services provided to the shippers on the pipeline for deliveries inside and for operational needs. In emergency circumstances linepack can provide short term relief. Even then it is often provided as an estimate.

In a normal functioning market linepack data beyond the traffic light system is an unnecessary compliance burden and is potentially misleading to participants. A low linepack figure may lead market participants to believe a pipeline will be facing deliverability issues when it is not. A high linepack figure may lead market participants to assume it is a resource that can be drawn upon. The reality may be very different; linepack may be being built up to cover an anticipated reduction in injections, a short-term increase in demand for a shipper or loss of capacity due to a maintenance event.

Market participants must not develop an expectation that linepack can be drawn upon as required to manage market issues.

Finally, as noted by AEMO in the Victorian Annual Planning Report and quoted above, linepack is a fundamental factor contributing to a pipeline's capacity, and the seven-day short-term capacity outlook reflects a pipeline's linepack.

The current publishing of linepack on the Bulletin Board is sufficient and was developed for a clear objective. A traffic light notification system provides market users with all the key information they require regarding linepack – that is, its sufficiency to meet demand,

APGA is aware that there is some consideration of the role linepack data can play in making sure the NGBB is 'in balance' on any given day, with the assumption being that knowledge of linepack information will allow market analysts and AEMO to check the accuracy of other data on the NGBB.

APGA notes that the rule change request proposed providing AEMO with disaggregated receipt and delivery point information for the purpose of monitoring NGBB compliance. The accuracy of data published on the NGBB can be tested by examining these gas flows over monthly and annual periods. Over such lengths of time, the market will be in balance.

Given there are now many years of daily information on the NGBB, it is a simple matter for market analysts to review historic flows to determine if the market is in balance or not.

**18. Are there alternative ways in which market participants can access information on short term opportunities? Can changes in linepack be understood through the analysis of other information already existing or proposed in the rule change request?**



As APGA has pointed out above, changes in linepack can be understood through more sophisticated analysis of historical flows. Any party claiming to benefit from linepack data should be able to conduct such analysis on existing NGBB information.

### **Issue 8 Supply nominations**

**19. Is there value in this information being published? To what extent are supply nominations complementary to information currently available on the Bulletin Board?**

APGA considers it appropriate that NGBB facilities are subject to similar levels of information obligation.

### **Issue 9 Alternative solutions**

**20. Do you consider any of these alternative options to be more preferable than additions to Bulletin Board reporting obligations? If so, for which categories of information would these alternatives be more appropriate?**

No, APGA considers Bulletin Board reporting obligations are the most appropriate way for facilities to provide information to AEMO. APGA notes the primary purpose of the industry-led initiatives is not to provide new data to market participants and observers; it is to facilitate trade in capacity and increased utilisation of pipeline services on particular pipelines. It is clear that these initiatives do provide data and it is appropriate that this data is centralised on the NGBB.

It is important that obligations are clearly defined in the National Gas Rules. The BB Procedures are intended to manage the details around provision of information, not the details of the actual obligations themselves.

**21. Should the Commission consider any other ways in which participants can disclose the proposed information to interested stakeholders?**

No.



## **Issue 10 Transitional arrangements**

### **22. How much time is reasonable for participants to transition to providing: uncontracted capacity information, shippers' contact details, data from secondary capacity trading platforms and additional gas flow data?**

It should be noted that once the Commission has made its final determination on the rule change request, the BB procedures and build pack need to be amended to provide final detail on the processes for the provision of the new data. It is only once these are finalised that facility operators can begin to make system changes.

APGA notes that AEMO operates on a twice-yearly build cycle. It will first have to develop procedures to set out the provision of the new information requirements and then develop its own system requirements. APGA considers it is reasonable to provide facility operators time equal to the time taken for AEMO to finalise its own documents to make system changes.