



12 February 2016

Mr John Pierce
Chair
Australian Energy Market Commission
PO BOX A2449
Sydney South NSW 1235
Sent via AEMC online lodgement facility: aemc@gov.au

Re: AEMC Project Number GPR0003 – East Coast Wholesale Gas Market and Pipeline Frameworks Review Stage 2 Draft Reports

Esso Australia Resources Pty Ltd (EARPL), an affiliate of ExxonMobil Australia Pty Ltd, welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC) Stage 2 Draft Report on the East Coast Wholesale Gas Market and Pipeline Frameworks Review. This response incorporates feedback on the Stage 2 Draft Report on Information Provision.

EARPL has more than 40 years of experience in the eastern Australian market. EARPL is also affiliated to companies that operate in other locations in an increasingly global gas market, including companies operating in deep and liquid markets in both Europe and the United States of America, and has incorporated insights from these organisations in its response.

EARPL supports the drive to establish a deeper and more liquid market in eastern Australia, and notes the significant efforts AEMC has undertaken in developing the Stage 2 draft reports, including considerable industry consultation. In particular, EARPL supports the recommendations to develop standardized and aligned short term pipeline capacity and gas commodity products, and to use common trading platforms to facilitate trading at and between hubs.

AEMC is proposing significant market reforms in eastern Australia, and particularly in Victoria. EARPL supports ongoing, phased implementation of reforms to enhance the market, though we emphasise that the costs of reform will ultimately be borne by the market. It is essential that each recommendation to implement a reform is supported by a robust cost benefit analysis.

Reforming the pipeline capacity and wholesale gas trading markets

EARPL supports the AEMC recommendation to seek to concentrate trading at a limited number of points, with voluntary participation. Concentration will provide the

best opportunity for increasing levels of short term trading and liquidity over time. However, the development of market liquidity is dependent on many factors in addition to short term trading markets and transportation access, including physical market volumes, multiple buyers and sellers and the availability of flexibility mechanisms such as gas storage. Even with the appropriate conditions in place, liquidity can take many years to develop, if at all.

EARPL believes that bilateral contracts will continue to remain a key component of the market place.

EARPL does not support the publication of commercially sensitive data on individual capacity transactions or volume flows, which can introduce additional risks for market participants and create undesired new barriers to trade. This can be avoided by aggregation. We note that EU Regulation (715/2009, on conditions for access to natural gas transmission networks) specifically requires that "information for single final customers and for production facilities ... shall be published in aggregate format".

Information and the Bulletin Board

EARPL believes that provision of the appropriate type and level of information will help facilitate an environment in which a deeper and more liquid market could develop. In considering what information should be published on the Bulletin Board, it is essential that:

- Company specific commercially sensitive information needs to be aggregated or published with an appropriate time delay such that confidentiality is maintained.
- Costs of providing information (both the cost of collating data and the internal and external costs of ensuring compliance / accuracy of such data) are carefully assessed and weighed against the benefits of providing such data.
- Costs of data provision should be borne by those parties that benefit from the provision of the data.

EARPL has the following comments on specific recommendations made by AEMC:

Purpose of the Bulletin Board: EARPL believes that the concept of establishing the Bulletin Board "as a 'one-stop shop' for information on the east coast gas market" goes well beyond what is required in any other wholesale gas market in the world that has achieved liquidity. Bulletin Boards in those markets typically focus on providing operational data on open access infrastructure, and may also provide aggregated short term gas trading data. It is provision of this data (either directly by pipeline operators, or collated via AEMO) that EARPL considers as helpful to facilitate market development.

Content of the Bulletin Board: EARPL does not support the suggestions to publish either proven and probable reserves by field, or un-contracted reserves. This data is highly confidential and commercially sensitive, and publication could have negative

unintended consequences. This data is not required to be published in other jurisdictions, including those where deep and liquid markets have developed. EARPL suggests the following approach to content provision would provide useful information to market participants while minimising additional cost and compliance burden:

- Multiple government agencies, including NOPTA and state based authorities, are already engaged in the collection of data on reserves. EARPL also notes that Geoscience Australia has historically collected and published reserves data, aggregated by basin. EARPL recommends that AEMC works with the various government agencies and with Geoscience Australia to determine a sustainable mechanism to allow reserves data to be aggregated by basin and shared with market participants.
- EARPL understands AEMC's primary intent in seeking to publish un-contracted reserves is to assist buyers in understanding those producers that have gas available for sale. An alternative mechanism would be to provide a facility on the Bulletin Board for East Australian sellers to provide contact details and marketing notices on a voluntary basis. This would create a central repository of those producers, and aggregators with available volumes, who are actively marketing gas, whilst limiting compliance costs borne by those using the service. We note that a similar service is already provided on the West Australian Bulletin Board.

Frequency of Reporting Information / Reporting Framework: We note the proposals to extend registration and reporting requirements and reduce materiality / exemption thresholds (e.g. large user consumption at 10 TJ/d). These proposals come at a cost, requiring ongoing data collection and compliance systems and processes to be put in place, and should be subject to a thorough cost benefit analysis.

Cost Recovery / Maintenance of the Bulletin Board: EARPL believes that production facility operators, who already incur costs of providing Bulletin Board information but are not the main beneficiaries, should not have to pay for the development or ongoing maintenance of the Bulletin Board. In other locations, where Bulletin Boards publish pipeline operational data or aggregated short term trading data, the cost of such platforms are paid by the shippers on those pipeline systems as part of the tariff, or participants on the short term markets as part of their transaction fees. We support an ongoing role for AEMO to maintain the relevance of the Bulletin Board. Any amendment to legislation or regulation to clarify such a responsibility should include a requirement that AEMO must evaluate the costs vs benefits of any new data provision, must consider removal along with addition of data, and must take the views of market participants into account in arriving at any recommendations.

Implementation and next steps

AEMC has proposed significant market reform, and notes that there is still significant work to be done to flesh out the details of the proposed reforms. Developing and implementing these changes will incur both significant cost and commitment of resource. EARPL supports AEMC recommendations to adopt a phased approach to

the development and implementation of changes, and the formation of dedicated teams to work this activity. EARPL also believes that the AEMC Advisory Group has been effective, and has facilitated constructive industry consultation, and we see an ongoing role for the Advisory Group as AEMC moves from policy development to implementation. We also recommend AEMC continues to review their recommendations as reforms progress, to ensure a robust cost/ benefit assessment and full consideration of the potential consequences of proposed reforms, again with full stakeholder consideration.

EARPL looks forward to continuing to participate in AEMC's East Coast Wholesale Gas Market and Pipeline Frameworks Review. Please contact Mr Andrew Murphy on (03) 9270 3537 if you require clarification or any more information about this response.

Yours sincerely,

A handwritten signature in blue ink that reads "Stuart Jeffries". The signature is written in a cursive style with a long horizontal flourish at the end.

Stuart Jeffries
Director – Gas & Power Marketing