



Friday, 14 August 2015

Mr Owen Pascoe
Director
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

By electronic lodgement on www.aemc.gov.au

Dear Mr Pascoe,

RE: Enhanced Information for Gas Transmission Pipeline Capacity Trading (Ref GRC0033)

GDF SUEZ Australian Energy (GDFSAE) appreciates the opportunity to comment on the Australian Energy Market Commission's (AEMC) Enhanced Information for Gas Transmission Pipeline Capacity Trading Consultation Paper (Consultation Paper), in relation to the Council of Australian Government's (COAG) Energy Council's rule change proposal.

As noted in the Consultation Paper, the AEMC is currently undertaking the wide-ranging East Coast Wholesale Gas Markets and Pipeline Frameworks Review (the East Coast Review). The COAG Energy Council's rule change proposal relates to a number of matters that are currently under consideration within the East Coast Review, which creates a coordination difficulty for the AEMC.

GDFSAE further understands that the AEMC are about to initiate a number of work streams as part of stage two of the East Coast Review, one of which directly relates to increased gas market information provision. Although that work stream is yet to commence, it is clear that the matters proposed by this rule change proposal will come under consideration within the new work stream.

GDFSAE recognises that having received the rule change from the COAG Energy Council, the AEMC have obligations to conduct a consultation process and consider the merits of the proposed changes. It would be unfortunate if the rule change process advances too far ahead of the East Coast Review process, which is considering similar issues.

GDFSAE suggests that these overlapping processes can perhaps best be accommodated by progressing with the aspects of the rule change that are clearly beneficial and relatively low cost (low hanging fruit), and leaving the more contentious issues for consideration by the East Coast Review.

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The COAG rule change request acknowledges that the proposed rule will impose costs on gas bulletin board facility operators and AEMO. Work carried out by NERA Economic Consulting for the Commonwealth estimated that the total (industry and AEMO) costs for upgrading the gas bulletin board and standardisation of pipeline transport contractual terms and conditions would be between \$4.7 and \$8.8 million.

With regard to the potential benefits over twenty years, NERA noted considerable uncertainty in estimating the level of take-up, and therefore estimated that the benefits may range from zero to \$11.4 million.

This analysis by NERA emphasises the point that whilst it is likely that there are some benefits to be gained by improving gas market information, there is some risk that the costs will exceed the benefits. GDFSAE therefore recommends that a considered and somewhat cautious approach be adopted in introducing new information gathering and publication processes.

Bearing these points in mind, GDFSAE provides the following specific comments on the additional information in the rule change proposal.

Uncontracted primary capacity

The rule change proposal for pipeline operators to provide a three-year outlook of uncontracted primary capacity and for this to be published on the gas bulletin board raises a number of issues for careful consideration.

One area for consideration is what exactly is meant by “uncontracted primary capacity”. For example, although a pipeline operator may hold an amount of spare primary contract capacity at a specific point in time, the pipeline operator may be in a process of contract negotiation for that capacity. Further, the level of spare capacity can vary at different points along a pipeline as a consequence of pipeline technical specifications, and so what could be regarded as spare capacity at one particular point, might vary at another point.

Another definitional area that would require clarification is where a shipper has negotiated an option with a pipeline to purchase pipeline capacity at some time in the future. There would need to be clarity and consistency on how such arrangements should be reported.

GDFSAE believes that although there could be some benefit in providing information on uncontracted primary capacity, the amount of benefit to arise from this information is possibly relatively small. For this reason, GDFSAE cautions against implementation of any arrangements that will impose a high cost on the industry, or that would introduce complex procedural and definitional issues.

Contact details of contracted shippers

GDFSAE is generally supportive of this initiative, as it is likely to facilitate discussion and negotiation between potential contract counter parties. GDFSAE notes that in providing this type of information, it is not necessary to provide individual names, but that businesses are listed or generic business points of contact are used. Additionally, it may be useful to ensure there are no regulatory barriers to a pipeline operator providing interested parties with the details of contracted shippers should an inquiry be made.

Secondary capacity trading

GDFSAE supports the efficient facilitation of secondary capacity trading where it is clearly cost effective. As noted in the Consultation Paper, the East Coast Review is specifically considering a number of issues and apparent restrictions that are impeding growth in secondary trading. GDFSAE supports this work, as it is important to identify the issues that are impeding secondary trading, and then develop practical methods for overcoming these deficiencies.

Until this work is complete, GDFSAE believes that it would be premature for the AEMC to implement a rule change relating to secondary trading information on pipeline capacity. It is also noted that there are already in place at least two trading platforms related to secondary trading, which suggests that trading inactivity relates less to platform availability and more to restrictions which limit secondary trading itself. It is therefore not clear to GDFSAE that there is an urgent need to implement the proposed rule change prior to the completion of the East Coast Review.

Detailed facility data

GDFSAE believes that there are potential benefits to be gained through improved information and data on relevant gas facilities. There will need to be careful consideration given to the way this information is gathered and presented to ensure that it provides meaningful and useable information to industry stakeholders.

One area for consideration is where a facility rating is provided, it will be important to also make clear whether there are other limiting factors further along the supply chain that may impact on the reported figure. For example, if a facility is reported as having a capacity of 20 GJ/Hr, but it can be constrained by downstream limits to 15 GJ/Hr, this will need to be made clear.

Another important consideration is the data format that is used for reporting of facility data. It will be important that a standard reporting format be maintained consistently for all gas facilities on the gas bulletin board.

This is an area where the details will be important in ensuring that this information is able to be utilised by industry effectively. For this reason, it may be better to suspend this part of the rule change proposal until the East Coast Review, which is also considering this issue, has been completed.

Gas flow data

GDFSAE also supports this initiative, provided that cost effective methods can be found for its implementation. GDFSAE supports the view that appropriate aggregation is preferred to comfort individual participants whose may have concerns about commercial confidentiality.

Similar to the facility data, the format for reporting of gas flow data should take account of existing information available across the east coast.

Storage facilities

GDFSAE understands that the AEMC have proposed to improve information on storage facilities, including the amount of gas held, injections and withdrawal nominations, 12-month outlook of uncontracted capacity and a detailed medium term outlook. GDFSAE agrees that there is a potential benefit in providing such information, but similar to comments above, the value is uncertain at this time, and so caution needs to be exercised to avoid introducing costly or inefficient new processes and obligations.

Medium term capacity outlook

The AEMC have proposed that the processes and format of reporting by pipeline operators to AEMO of their medium term capacity outlook be standardised to facilitate a more efficient process. GDFSAE agrees that standardised reporting formats are likely to lead to a more efficient process.

Linepack

The AEMC proposal to improve linepack reporting is supported by GDFSAE. GDFSAE would recommend retaining the current traffic lights reporting which is simple and easy to apply. One area of interest to GDFSAE would be to have additional information provided on the amount of loan and park arrangements that are in place on each pipeline at any point in time. Providing the sum for loans and the sum of parks may be an easier way to provide participants with this data, at least initially.

Supply nominations for production facilities

The AEMC suggestion to include daily supply nominations and forecasts for production facilities would be of value, provided that the data format is standardised across all facilities. Again a low cost option is preferred as increased costs will ultimately impact the total delivered costs of energy.

General comment

GDFSAE welcomes improvements in gas market information but notes to date the gas bulletin board is not valued as highly as would be expected as the market is not structured in a way that allows participants to utilise available information to maximise trade.

While improving information availability is worthwhile of itself, in the absence of reforms which improve the market then the gas bulletin board will remain a backward facing reporting tool that is increasing in costs and contains a range of fragmented information.

GDFSAE agrees that ultimately, real time information in a tradeable market, as is the case in other markets overseas and in the National Electricity Market, is a desirable objective if it is concluded by the AEMC that the conditions are right to do so in Australia.

GDFSAE trusts that the comments provided in this response are of assistance to the AEMC in its deliberations and appreciates that this is a difficult area to navigate. Should you wish to discuss any aspects of this submission, please do not hesitate to contact me on, telephone, 03 9617 8331.

Yours sincerely,



Chris Deague

Wholesale Regulations Manager