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13 August 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

Dear Mr Pierce

GRC0033: Enhanced Information for Gas Transmission Pipeline Capacity Trading

Santos welcomes the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) consultation paper on the Enhanced Information for Gas Transmission Pipeline Capacity Trading.

Santos is an active participant in the Australian gas market as an upstream producer, gas marketer, energy trader, and operator of several joint ventures including the South Australia Cooper Basin (i.e. Moomba) and GLNG. Santos manages an extensive gas portfolio across Australia which involves 24/7 operations and participation in the various spot markets, gas supply hubs, and short term trading markets. It is in this context that Santos believes it is well placed to comment on the proposed rule changes.

Santos is a strong supporter of establishing gas markets as these provide the most relevant and actionable information to all participants. To enable the development of a liquid market certain data should be available to all participants, however more data is not necessarily better. It is also important to recognise that there are both direct and indirect costs in the collection and distribution of data, which must be borne by someone, presumably the participants. As a market participant Santos would be concerned if additional costs were incurred without tangible benefits.

Santos believes that there is some information being sort that will not assist with risk management or better decision making for in short term trading gas or capacity trading, and would not meet the threshold of the NGO assessment framework. These areas are addressed below.

Contact details of shippers

Santos acknowledges that listing the contact details of shippers may result in a small reduction in search costs for market participants looking to contract for secondary pipeline capacity, however it does not agree that providing shipper details in relative order of their contracted capacities on a pipeline will improve decision making and does not support this proposal.

There are only a few shippers on each pipeline so ordering them by relative contracted capacity is excessive and not necessarily a good indicator of whole has available capacity. Any company looking for spare capacity would contact all shippers to ensure they have a good understanding of available capacity, term and price. Listing these shippers in any order other than alphabetical does not appear to bring search costs down or provide any level of detail that enables a better decision to be made.

Other information gaps

Santos does not believe that there has been an adequate articulation of the uses and benefits of the “*other information gaps*” listed in the consultation paper, simply stating that “*information could assist market participants in understanding short term supply and demand dynamics*” is not enough to enable a detailed analysis and commentary. The case needs to be made on the use and tangible benefits of this information prior to being able to fully comment. This being the case Santos is willing to consult with the AEMC pre and post the release of draft determination to better understand the proposed uses of this information before providing more detailed commentary on the these new issues.

Some initial comments are outlined below.

Storage Facilities

It should be noted from the outset that not all storage facilities are the same. There are market-focussed gas storage services such as the Western Underground Gas Storage (**WUGS**) facility at Iona that provide high deliverability directly into the demand node for third party customers.

Others, such as the South Australian Cooper Basin Joint Venture (**SACBJV**) storage facility at Moomba, are integrated into the upstream processing facility and form part of the upstream operations at Moomba. This facility, along with literally hundreds of other gas wells, are used to cover the SACB partners’ contractual obligations both in the short and long term, and is not directly made available to third party customers. It is remote from the main demand centres and is not used independently to cover third party demands.

Moomba Storage explained

Moomba storage is a depleted gas reservoir that is currently used to store gas and ethane. Gas is extracted from various gas fields, transported to and then processed at the Moomba processing facility. Once processed, this gas would then either be sent out into the East Coast gas market, via one of the listed Bulletin Board pipelines or injected into Moomba storage for use at a later date if it is surplus to current contractual requirements. Santos as operator utilises the portfolio of gas producing assets (gas fields and storage) to best manage SACBJV partner contractual requirements, ensure security of supply and optimise commercial outcomes to produce a gas supply plan that calls on gas from the field and storage when economically efficient to do so.

Moomba storage is used as an intraday and seasonal buffer to ensure SACBJV can produce steady without interruptions to keep our supply costs as low as possible. Without the use of this storage facility SACBJV would be required to manage the intraday and seasonal flex by drilling more wells which is less capital efficient and productive, resulting in an increased cost of production and prices.

By providing access to storage information for facilities used solely as part of a production facility, could actually provide misleading information to the market on gas available on a day as this gas has already been planned to meet SACBJV partners contractual commitments in the medium to long term.

Physical flow of gas

When gas is recalled from storage it is then withdrawn from the storage facility and transported back to the Moomba processing facility for further processing. At no time does gas from storage enter the East Coast market without further processing from Moomba. All SACBJV gas that enters the East Coast market comes directly from the Moomba processing facility, is measured with an actual read published on the Bulletin Board the next day.

It is important to reinforce that these are commercial and operational decisions designed to optimise the running of the SACBJV assets. In Santos' experience, the information that is required by the market is the amount of gas being sent into the East Coast from the Cooper Basin. We do not believe the market is able to make better decisions if it knows whether gas is sourced from current well production or storage. It is for this reason that the exemption has been in place for storage facilities that are used solely as a part of a production facility.

Western Australia Gas Bulletin Board exemption

The East Coast market is not the only market that has this exemption in place. The AEMC have reviewed markets from around the world as well as closer to home, with the Western Australia Gas Bulletin Board (**WA GBB**) been pointed to as a good comparison to the East Coast version, the Consultation Paper states:

“the Western Australian Gas Bulletin Board is a particularly relevant comparison as its development has been informed by the experience of the East Coast Bulletin Board”

On review of the Gas Services Information Rules (20 March 2015), the rules that govern the WA GBB, rule 45 specifically exempts storage facilities when they are used solely as a part of a processing facility.

Rule 45 Specific exemption requirements for Storage Facilities

- 2) *The Exemption Criteria in relation to a Storage Facility are:*
 - a) *the Production Nameplate Capacity of the facility is less than 10 TJ of natural gas per Gas Day; or*
 - b) *the facility is used solely as part of a Production Facility.*

Based on this there seems to be little credible evidence to suggest a change to this rule is required.

Supply Nominations for Production Facilities

Santos does not believe that providing production facility nominations helps the market improve transparency, nor does it reduce costs or prices. The forced reporting of

production facility nominations does not correspond to volumes that will be traded on the market. It must be remembered that extensive market regulation comes at a cost and such costs place additional burdens on both producers and consumers.

Production facility nominations often change a number of times in a day via intra-day re-nominations. Therefore, forecast nominations will provide the 'start of day' gas market information and is another overhead burden to the industry, but will do little to assist in gas market transparency on a day. Actual flow data is the best indicator of what happens in the market on day.

The Bulletin Board already reports on current day and forecast gas nominations for pipelines, which, a subset of this information is based on a production facility forecast. It is the amount of gas that is and is forecasted to be injected into the system that is the relevant information source for short term trading, not the forecast nominations for a particular production facilities. This extra layer of detail seems excessive for the needs of the market.

Santos supports market developments that can tangibly add to the liquidity to the East Coast gas markets. The current AEMC East Coast Wholesales Gas Markets and Pipeline Frameworks Review is the chance to build the road map to this. Trading markets are the best place for buyers and sellers to connect and transact and Santos is an active participant in these markets as are other large and small participants, we welcome the changes that can facilitate them. The challenge is identifying what is important to increasing liquidity and the flow on benefits and what is noise.

Should you have any questions in relation to this submission, please contact me at matt.sherwell@santos.com or on (08) 8116 5824.

Yours sincerely

Matt Sherwell

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