

13 November 2015

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Lodged (online): [www.aemc.gov.au/Contact-Us/Lodge-a-submission](http://www.aemc.gov.au/Contact-Us/Lodge-a-submission)

### **Enhanced Information for Gas Transmission Pipeline Capacity Trading – Draft Rule Determination**

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Australian Energy Market Commission's (AEMC) Enhanced Information for Gas Transmission Pipeline Capacity Trading Draft Rule Determination.

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 34 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 59,000 people and contribute \$24.1 billion directly to the nation's Gross Domestic Product.

Examining opportunities to improve market transparency and access to information across the supply chain is important, including in respect of facilitating more flexible access to pipeline capacity. As identified by the AEMC, the provision of appropriately targeted gas market information can improve stakeholders' understanding of supply/demand conditions, thereby reducing search and transaction costs and promoting more flexible and opportunistic trading of pipeline and storage capacity.

Efforts to improve gas market transparency must be carefully considered. The relevance of any identified information gaps is very much dependent on broader wholesale gas market and pipeline transportation arrangements. Information requirements that are not appropriately targeted, either with respect to the type or frequency of reporting, can create a reporting burden for little discernible benefit. The persistence of any broader gas market impediments can also negate the benefits of enhanced transparency.

Consistent with this, the Association is broadly supportive of implementing the draft rule, which includes all of the reporting requirements proposed in the original rule change request (with some amendments). These reporting requirements were informed by extensive stakeholder consultation and an assessment of the costs/benefits of a suite of different options. Collectively, they will assist with improving market participants' awareness of short-term trading opportunities and also support industry-led reform in this area

The draft rule determination also proposes two additional information requirements, one of which relates to the provision of medium term capacity outlook information. Under the proposed rule, pipeline operators would be required to provide medium term capacity outlook information in a standard format that includes a numerical estimate of the facilities' capacity during the maintenance period.

Current arrangements for reporting medium term capacity outlook are low cost and have been given limited time to take effect (i.e. medium term capacity outlook reporting requirements have only been in place since 8 January 2015). But it is recognised that information relating to the outlook for operational pipeline capacity could be of greater use to market participants where it is provided in a standardised format.

On this basis, the Association is supportive of requiring facilities to providing medium term capacity outlook in a standard format (such as that proposed to the AEMC by pipeline operators) as part of the maintenance reports provided to shippers. This approach appropriately balances the effort required to comply with the obligation with the likely market benefits that could be derived from disclosing the information.

With respect to requiring numerical estimates of a facility's capacity as part of the standard reporting, it should be noted that such estimates are not always explicitly calculated when maintenance is being undertaken, since pipeline operators generally seek to schedule maintenance when it is unlikely to have an impact on gas flows. A less costly and complex option may therefore be to include a traffic light indicator that reflects a facility's ability to meet market requirements and only require numerical estimates when a reduction in capacity is expected to materially impact the market.

In addition to the above, the Association would like to highlight a potentially significant gap in medium term capacity outlook information relating to liquefied natural gas (LNG) facilities. The three LNG facility operators in Queensland are currently seeking authorisation from the Australian Competition and Consumer Commission (ACCC) to coordinate and share information about their maintenance schedules with one another.<sup>1</sup> The application notes the significance of major outages and the potential need to on-sell excess gas to third parties in the domestic market.

Taking into account the large volumes of LNG production relative to domestic demand, excess gas arising from a coordinated maintenance shutdown has the potential to significantly impact the domestic gas market, both in terms of gas flows and pricing. To the extent this information is not made available to the wider market, the ability of other domestic market participants to make informed and timely operational and commercial decisions will be impaired, an outworking of which may be reduced trading and liquidity.

To address this, the Association considers it important the final rule provides sufficient flexibility to accommodate the reporting of maintenance schedules from the three LNG facilities – through a medium term capacity outlook or similar mechanism – should the ACCC authorisation be granted. This will reduce any information asymmetry between market participants and improve participant's ability to optimise their gas positions.

Should the ACCC authorisation not be granted, the Association believes there is merit in consulting further with market participants on the value/appropriateness of reporting maintenance information from the LNG facilities on an individual basis, given the issues discussed above.

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<sup>1</sup> <http://registers.accc.gov.au/content/index.phtml/itemId/1190309/fromItemId/278039>

Any questions about our submission should be addressed to Shaun Cole, by email to [shaun.cole@esaa.com.au](mailto:shaun.cole@esaa.com.au) or by telephone on (03) 9205 3106.

Yours sincerely

A handwritten signature in blue ink that reads "Kieran Donoghue". The signature is written in a cursive style with a long, sweeping tail on the final letter.

**Kieran Donoghue**  
General Manager, Policy