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15 October 2015

Mr Paul Smith
Chief Executive
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

RE: GPR0003 Pipeline Regulation and Capacity Trading Discussion Paper

Dear Mr Smith,

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) Pipeline Regulation and Capacity Trading Group Discussion Paper.

EARPL supports the drive to establish a deeper and more liquid gas sales and transportation market in eastern Australia, and believes that further steps can be taken to facilitate trading of transmission capacity between parties to support this development.

Our view is that the following three measures have the potential to facilitate development of liquidity in the market. The costs and benefits of each of these options need to be fully assessed by AEMC:

1. Align the duration of short-term pipeline capacity and gas commodity products traded at the gas supply hubs and short-term trading markets. While the majority of commodity trading is done on a daily basis, daily pipeline capacity products may not generally be available.
2. Limit the offer of short-term firm and as-available capacity products to centralized platforms, providing equal and transparent access to registered shippers. These offers could include capacity products, which directly connect hubs.
3. Offer interruptible pipeline capacity at a published tariff if all firm capacity is sold. This effectively provides access to currently contracted, but unused, pipeline capacity. A tariff at a discount to firm, particular during off-peak periods, would significantly facilitate liquidity and promote development and utilization of storages.

The publication of commercially-sensitive data of individual capacity transactions or volume flows should be avoided; this can be achieved by aggregation or delayed publication. Otherwise this can introduce additional risks for market participants and create undesired new barriers to trade.

In addition, the sanctity of existing contracts must be protected to avoid unintended consequences on future new investments, which rely on long-term contracts to be fulfilled.

EARPL looks forward to continuing to participate in AEMC's East Coast Wholesale 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 black ink, appearing to read "Stuart Jeffries". The signature is stylized with a large, sweeping flourish at the end.

Stuart Jeffries
Manager – Australia Gas Marketing