

31 March 2016

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Attention: Ms Kate Reid

Dear Ms Reid,

Reference: GRC0036 Gas day harmonisation – Rule Change Consultation Paper

APA Group welcomes the opportunity to comment on the Gas day harmonisation rule change consultation paper published 3 March 2016.

APA broadly supports the proposed change to harmonise gas day start times across the east coast gas markets. APA's view is that for the implementation to be effective issues other than changes to the facilitated gas markets need to be considered. In particular the change will affect other markets, such as, the retail FRC markets; agreements with gas suppliers and gas transportation agreements with parties who do not participate in the STTM or GSH markets. If the change is to be effective and provide a net benefit to the industry it will require comprehensive changes to all agreements. Any change that results in multiple gas day start times across jurisdictions or assets will impose greater inefficiencies on the industry that will outweigh any benefit accruing to the three markets currently prescribed in the rule change proposal.

APA would be pleased to discuss this submission and to provide further information which may assist the AEMC. APA's first point of contact is John Jamieson on 07 3323 6023.

Yours sincerely



Peter Bolding

General Manager Strategy & Regulatory



Submission to the Australian Energy Market Commission

GRC0036 - *National Gas Amendment (Gas day harmonisation) Rule 2016*

31 March 2016



Question 1 Inconsistent timing for gas day events in the STTM

(a) Do the different gas day start times in the STTM hubs contribute to unnecessary complexities as suggested by the COAG Energy Council? If so, please provide further information on the nature and extent of these complexities.

This issue is not directly relevant to APA operations and is a matter for trading participants to consider. APA's role as a data provider to the Sydney and Brisbane STTM markets is not materially affected by the different gas day start times that currently apply.

Question 2 Harmonising gas day start times between the facilitated markets

(a) How do different gas day start times across the facilitated markets create complexities and contribute to additional costs for participants operating in these markets?

(b) Does the nature and extent of the complexities identified by the COAG Energy Council vary across the different facilitated markets?

(c) Do different gas day start times between facilitated markets act as a barrier to gas trading and opportunities for arbitrage between different regions of the east coast gas market? If so, how?

This issue is not directly relevant to APA operations and is a matter for trading participants to consider.

Question 3 Potential benefits of the proposed solution

(a) If all STTM hubs and the GSH had a gas day start time of 6:00am EST, what would be the benefits (including any avoided costs) to your business, the wider market and consumers? Over what period of time would the identified benefits accrue and to which parties?

(b) If all STTM hubs used a gas day start time of 6:00am EST, how would this impact on the relevant pipeline nominations process and any other activities (whether prescribed under the regulatory framework or otherwise under commercial arrangements)?

(c) Will setting the GSH gas day start time in the NGR provide participants greater certainty and confidence that the gas day start time will remain aligned across certain markets going forward?

(d) Will setting the gas day start time for the STTM and GSH to 6:00am EST benefit participants by way of supporting the development of financial risk management tools? If so, how?

(a) APA considers that the benefits of gas start day alignment to 6am EST will largely flow to market participants operating across the east coast gas market through simplification of daily process flows and optimising cross market opportunities. At present APA deals with differences in gas day start times at two key interface points, Moomba (SA/NSW/QLD) and Culcairn (Vic/NSW). APA has developed processes and procedures to deal with these interface issues that are currently operating effectively. Should the changes to facilitated markets proceed as proposed without overarching legislative changes to all existing contracts (GTAs and GSAs) then the potential exists for multiple different gas start day interfaces to develop. This would potentially present the unworkable situation of a range of different gas start day times operating on the same asset or within the same state. The potential for this situation to develop is highly likely if the rule change is not broadened to encompass wider legislative change to impose the change on all existing gas contractual arrangements and not just the facilitated markets.



(b) APA currently has nomination cut off times that are offset from the gas day start time and would envisage that alignment of gas day start times would result in alignment of nomination cut off times. As part of the current East Coast Gas Market Review APA, along with other pipeline operators, is proposing mechanisms to standardise contract terms and conditions where possible and nomination cut off times would likely fall into this process.

(c) Specifying the gas day start time in the NGR for all agreements, whether market related or not, is considered necessary for this change to deliver any net benefits to industry and avoid the potential for creating a situation that is much worse than currently exists.

(d) APA considers that this matter is best answered by trading participants, but considers that standardisation should assist.

Question 4

(a) Will COAG Energy Council's proposal to align the STTM and GSH gas day start time to that currently used in the Victorian DWGM minimise the total implementation cost of the proposed change for the east coast gas market?

(a) APA considers that aligning with the Victorian gas day start time is likely to result in the lowest total implementation costs for the east coast gas market, but may present issues should the gas day start time be extended to Western Australia.

Question 5 Implementation costs of the proposed solution

(a) If the STTM and GSH gas days are amended to start at 6am EST, what changes would be required to business¹:

(i) infrastructure and IT systems;

(ii) procedures and processes; and

(iii) contractual arrangements?

What is the estimated cost of making these changes and who will bear that cost?

(b) Would the proposed gas day start time have an ongoing business cost? What is the estimate of this cost and who will bear that cost?

(c) Would the proposed change to the STTM and GSH gas day impact on businesses that are outside of these facilitated markets? What are these impacts and their estimated costs? Who will bear these costs?

(d) What is an appropriate method to manage transitional arrangements leading up to, and on, the day that the new gas day start time would commence?

(e) Given the level of liaison and cooperation that will be required between pipelines, shippers and market participants is there a need for a market institution to provide oversight of implementation and market readiness?

(a) Implementation of a revised gas day start time will require APA to implement significant changes to affected east coast transmission assets. These changes include;

- Variations to all existing gas transportation agreements
- Reprogramming and/or upgrade of field measurement equipment (flow computers and SCADA)
- Changes to processes and procedures
- Change to IT systems

Preliminary work on estimation of costs to implement the proposed changes indicates a total cost to APA in the order of \$1.5-2M. Given that the benefits from the proposed change will largely flow to trading participants and these costs are not largely capable of being recovered through regulatory or contractual avenues, APA would expect that the Rule contemplates a cost

recovery mechanism for facility operators to recover such costs. APA considers that the only way to achieve contractual variations in a timely, effective and complete manner is through a change in law and the subsequent contractual provisions to deal with that change. Any assumption that changing rules in wholesale markets will flow on to other agreements though a bi-laterally negotiated change to agreements is unlikely to work – the costs of re-opening contracts are likely to be higher than the potential benefits to be realised through this proposed Rule change and the chance of successfully re-negotiating all arrangements bilaterally would be very low.

(b) APA does not foresee any on-going costs post implementation.

(c) Gas day start times are common across both wholesale and retail market arrangements as well as to upstream production arrangements. Any change will need to consider impacts on the whole supply chain and ensure that all arrangements are captured.

(d) Given the extent of the changes required APA would suggest the AEMC or appointed body oversee the transition ensuring that appropriate gates are set to ensure that a go/no go decision is made prior to the final change over date.

(e) as per (d) above.

Question 6 Implementation timeframe

(a) If the proposed rule is made, what are the necessary steps to implement it? What is an appropriate period for implementation to occur?

(a) Given the planning and resource requirements required to implement the changes, APA would suggest a planning and implementation period of approximately one year and a cut off time that occurs during an off peak period (e.g. 1 April).