

## SANTOS SUBMISSION April 2014 – AEMO Bulletin Board Proposed Changes

Santos understands the intention of the proposed Bulletin Board capacity outlook changes is to:

- 1) Demonstrate action towards improving ‘transparency’ of gas market and gas availability
- 2) Provide evidence to potential buyers that gas is available for domestic purchases

Santos does not believe that the proposed changes achieve these goals. Our position can be summarised under three key points:

### 1) The proposed changes do not increase availability of supply information to customers

- a. There are generally contractual mechanisms in place in our GSAs that ensure that market participants have access to all relevant and material information.
- b. Customers under Gas Sales Agreements already have supply security via our obligation to meet demand agreements.
- c. Any maintenance activity with potential to impact customer supply is communicated directly within equal or greater outlook timeframes than the Bulletin Board proposal.
- d. Supply comes from across a diverse portfolio and can't be linked to a particular facility.

### 2) Implementation impacts are significant for facility Operators

- a. Implementation phase would require significant systems changes to our Commercial Operations gas supply models.
- b. Ongoing participation will require an increase in resourcing to be able to provide the extra detailed information. It will simply establish a whole new workload to provide information that ultimately is currently available to purchasers and will do little to increase transparency in the market.
- c. We anticipate the number of queries regarding differences between forecast and actual production is likely to increase and may require additional resourcing to field.

### 3) Confidentiality and Accuracy of Information

- a. Our availability figures are not just direct field or plant capacities as per a facility like Longford, we would need to make assessment on how to derive figures that include field + plant + storage + third party supply impacts.
- b. In addition to being confidential, certain information may be commercially sensitive and disclosure may have an adverse commercial impact on market participants.
- c. Disclosure of uncontracted gas supply is at our discretion. Gas purchasers and consumers would not be able to tell from production capacity figures what volumes are contracted as opposed to available.
- d. As a result there is a risk that using the Bulletin Board information to attempt to identify gas purchase opportunities could potentially lead to a misunderstanding of the actual gas supply situation.
- e. We see the development of Wallumbilla Gas Supply Hub, and potential future additional hubs, as the means to increase transparency in market liquidity and gas availability. It is the Operators discretion to elect what volume and price gas will be offered to the market, and with that discretion comes the risk that the gas may not be contracted.

Specific responses to the consultation questions are provided below.

**Question 1 Information provision and transparency****(a) What level of information do gas market participants require to effectively carry out their operations?**

Santos commercial agreements provide an obligation to supply gas sales up to agreed maximum daily quantities, and customers are entitled to expect this supply to be available unless notified of interruptions. As a result, customers should not need to rely on the Bulletin Board as a source of information with regard to supply availability.

Santos provides customers with notification of major outages affecting the ability of the facility to meet nominations. We have our own internal processes to manage these events. Providing notification through a Bulletin Board forecast will not add a benefit to our customers.

It is also of interest to note that Santos delivers customers' demands from a range of supply portfolio options. For example, Mt Isa customers could receive gas sourced from Ballera, Moomba or Queensland. The wider east Australian network is quite different to the Victorian market which has a few key feeds into a central point of demand. For this reason, a customer would not be able to match up deliverability at a specific plant (e.g. Ballera) with availability to meet supply (e.g. Mt Isa) because when one source is impacted there are other supplies available.

**(b) Does this data and information need to be published in a standardised format (for example, in a spreadsheet) for ease of interpretation?**

For any public data to be shared from the Bulletin Board it would seem logical to provide it in a standardised format.

**(c) Does this data and information need to be provided at regular intervals to be of use?**

As stated above, Santos does not see the provision of this sort of data as adding value.

**Question 2 Efficient allocation of costs****(a) What are the expected one-off establishment activities/tasks and costs in implementing this rule change? Please provide an indication of the magnitude of these costs.**

To meet the proposed information requirements we will need to develop our IT systems. We currently load Bulletin Board data via an automated system linked to our daily nominations and allocations tools. There would also need to be a period of internal project work to develop a process for accessing the 'medium term' forecast data and ensuring it is appropriate for external use. More internal assessment would be required to put a quantitative figure to the costs involved.

**(b) What are the expected on-going activities/tasks and costs in complying with this rule change? Please provide an indication of the magnitude of these costs.**

The key impact will be the constant resubmission of data as maintenance programs shift or are altered in scope/effect to capacity. Further assessment required to determine the magnitude of this impact.

**(c) Are there other expected activities/tasks and costs associated with this rule change that have not been identified? If yes, please provide an indication of the magnitude of these costs.**

System enhancements to automate requirements, as described above.

**Question 3 Confidentiality issues**

**(a) Are there any confidentiality issues for participants or customers surrounding the publication of short-term or medium-term capacity outlook information?**

As described under point 3 of the summary of our position.

**(b) If confidentiality issues arise, which party (or parties) is best placed to manage such issues? Are there any costs involved in the management of such issues.**

The facility operator needs to manage and issues that arise. The cost is the time and resources to mitigate or repair those issues.

**Question 4 Other ways of achieving the proponent's policy objectives**

**(a) Do stakeholders agree with AEMO that the rule change is a low-cost way to improve information provision? If no, are there any alternative ways of achieving the same policy objectives?**

Santos does not agree that the information provision proposal is necessary or of particular value to customers.

An alternative may be to extend the major outage meeting of producers chaired by AEMO from Victorian focus to an East Coast market reach? As of last month Santos commenced participation to include information on major outages at Moomba.

Another alternative is to focus on development of the Wallumbilla Gas Supply hub, and additional trading hubs, to provide a means of increasing uncontracted gas supply volume and price transparency.

**(b) If an alternative way of achieving the same policy objectives is identified, does this raise any specific issues or considerations related to information provision and transparency, the efficient allocation of costs, or confidentiality?**

No issues identified. Alternative proposal above would be of immaterial cost (participation in a few teleconferences) and suppliers would have discretion over supply of information with regard to confidentiality.

To discuss the above points further please contact:

*Leigh Staines*

*Commercial Operations Team Leader*

*Santos Ltd*

*60 Flinders St, Adelaide*

*08 8116 7553*