

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

16 November 2015

Dear Mr Pierce

### **GBB cost allocation methodology**

QGC Pty Limited (**QGC**) supported the establishment of the Information Provision Work Stream as part of Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review (**the Review**) and provided detailed input throughout the consultation process. Further to our expressed views, we wish to provide more detailed comments on the cost allocation methodology for the Gas Bulletin Board (**GBB**), which we consider relevant to the scope of the Review.

Specifically, we suggest the governance arrangements for developing and amending the methodology should reside with Australian Energy Market Operator (**AEMO**) and the Review should recommend the necessary legislative changes that would give effect to this outcome.

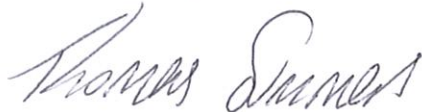
The current cost allocation methodology is prescribed in the National Gas Rules (**NGR**) (Division 9, Part 18). These costs are allocated by AEMO and applied to GBB "shippers" on a volumetric or gas flow basis. There does not appear to be a clear reason as to why the GBB cost allocation methodology is embedded in the NGR. Consistent with the treatment of other gas market fees, responsibility for developing and amending the GBB cost allocation methodology should reside with AEMO and form part of its existing Operating Procedures.

Furthermore, with the incorporation of the LNG export pipelines on the GBB, the current methodology (based only on flows) now results in one industry potentially bearing a disproportionately high percentage of the total costs. In our view, the allocation of costs should have some relationship to those parties who directly use the information for commercial and / or other reasons. Principally, costs should be allocated based on who is using the data and the underlying cost drivers rather than only gas flows. It is likely that, prior to the introduction of LNG, the existing methodology effectively delivered outcome, but is not necessarily the case moving forward and it needs to be reviewed and updated.

We recognise that shifting from the current arrangements represents a series of changes. At this stage, in the Review, we would suggest shifting the GBB cost allocation methodology from the NER. AEMO would then be in a position to consult with stakeholders on an appropriate future structure of the cost allocation arrangements. This would also allow for more timely updates as the market evolves and changes over time.

Please contact me directly or Erin Bledsoe at [erin.bledsoe@bg-group.com](mailto:erin.bledsoe@bg-group.com) if you have further questions.

Yours sincerely

A handwritten signature in black ink that reads "Tom Summers". The signature is written in a cursive style with a large, sweeping initial 'T'.

Tom Summers  
VP, Supply and Optimisation