



3 April 2014

Ms Victoria Mollard  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

AEMC reference: GR0024

Dear Ms Mollard

Thank you for the opportunity to comment on the Rule change proposal lodged by the Australian Energy Market Operator (AEMO) in relation to new information to be posted on the National Gas Bulletin Board.

APA Group (APA) supports this rule change proposal.

Rule change proposals that create additional obligations on market participants should generally be subject to the full Rule change assessment process. There are particular aspects of this rule change, however, that mean that APA considers that it can be appropriately managed through the expedited rule change channel. In particular, as a result of extensive AEMO consultation with market participants prior to submitting this rule change, the new and additional information requirements set out in this proposal are designed to impose minimal cost on market participants, and those information requirements address a specific area of potential information asymmetry that may impact the efficient operation of the market.

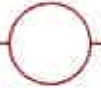
This endorsement should not be read as a general endorsement that all Rule change proposals that have been subject to prior AEMO consultation should be treated as expedited Rule changes. APA considers that rule change proposals on matters of detailed market design or those that substantially change the rights and obligations of market participants should always be subject to full AEMC consultation processes. This ensures that matters of broader economic or market importance can be brought to light in the decision-making process to ensure that Rule changes are made in the long term interests of consumers.

APA makes the following comments on the specific rule change proposal.

#### Seven day short term outlook

The proposal to extend the capacity outlook notification from three to seven days will not materially increase APA's costs in complying with this Rule. APA's systems are able to generate and submit this information without significant change to those systems.

While APA's systems are able to generate and provide this information to AEMO for publication on the Gas Bulletin Board, it must be noted that information of this type provided for a longer time horizon will be more uncertain and subject to change compared to information provided closer to the gas day in question. Care must therefore be taken by market participants before relying on this information.



The AEMC should also note that the extension of capacity outlook information from three to seven days will increase compliance risks for APA.

#### Medium term capacity outlook

APA routinely provides shippers on its pipelines with information in relation to scheduled maintenance and other activities or events that can impact pipeline capacity. APA acknowledges, as discussed in the AEMO rule change proposal, that the provision of this information to shippers, while important, can lead to information asymmetries for non-shippers in relation to expected medium-term pipeline capacity. It is on this basis that APA supports this Rule change proposal.

APA does not consider that it will derive any benefits from the Rule change arising from maintenance coordination. APA already coordinates its maintenance program with other market participants to the extent possible and does consider that the lack of public information on maintenance programs impedes this coordination.

As APA understands it, AEMO's proposal is to require APA to provide AEMO with a notice of expected medium term capacity changes at the time, and in the same form, as those notices are provided to shippers. As this obligation does not require APA to change or manipulate these notices (for example to fit AEMO system requirements), this obligation is expected to lead to minimal additional cost to APA. The final impact of this proposal, however, will be dependent on the final AEMO Procedures and build pack. Depending on their form, these do have the potential to materially increase the cost of this Rule change proposal.

#### Cost recovery

APA does not accept AEMO's argument that pipeline businesses should assimilate costs of these new obligations or that they are offset by benefits. APA's acceptance of this rule change is on the basis that it does not lead to material additional costs, not that they are offset by benefits elsewhere.

As a matter of principle, new and expanded obligations that lead to additional costs must be justified on the basis of a cost benefit analysis that means that those parties that benefit from the additional information pay for its provision. In situations of net market benefit, market participants should be prepared to bear these costs.

It is not acceptable to adopt rule changes that lead to additional costs on the basis that one market participant will disproportionately bear those costs, to the benefit of other market participants, due to a lack of a cost recovery mechanism.

If you would like any further information, please call me on 02 9275 0020.

Yours sincerely

A handwritten signature in black ink, appearing to read 'AC', written over a light blue horizontal line.

Alexandra Curran  
Regulatory Manager