12 February 2016

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Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH
NSW 1235

Dear Mr Pierce

Australian Energy Market Commission - East Coast Wholesale Gas Market and Pipeline Frameworks Review Draft Report,

AEMO welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) draft recommendations and findings as outlined in the Stage 2 Draft Report.

AEMO is broadly supportive of the AEMC's draft recommendations and findings in relation to the east coast wholesale markets, pipeline arrangements and gas market information. There are a number of areas relating to the Declared Wholesale Gas Market (DWGM) and Short Term Trading Market (STTM), which we consider require further consideration. We highlight these areas in this submission, and in our submission on the DWGM.

Wholesale gas market

AEMO considers that the Southern Hub model proposed by the AEMC is an appropriate model for further assessment against the Victorian Government's Terms of Reference and the COAG Energy Council's vision. However, AEMO also considers that the suitability of this model to the Victorian market and gas system and the benefits of transitioning from the current arrangements to the proposed design are yet to be established. The next stage of the review should aim to provide greater detail on the Southern Hub model and in particular seek to tailor the model to the Victorian system and environment.

AEMO supports further consideration of a simplified STTM design as it has the potential to focus liquidity at the gas trading hubs (Wallumbilla, Moomba and Victoria). Our submission highlights STTM related matters that the AEMC should consider further as part of the review.

AEMO supports the development path outlined for the Northern hub (based around the existing Wallumbilla Gas Supply Hub). The AEMC's draft recommendations align with the proposal to transition to a single Wallumbilla gas market through the implementation of the Optional Hub Services model. AEMO has now commenced work on the implementation of a hub service trading product (targeting October 2016) and the transition to a single Wallumbilla gas market (targeting March 2017).

Pipeline frameworks

Effective pipeline capacity trading arrangements are an essential component of an efficient and liquid wholesale gas market. AEMO supports the AEMC's consideration of the pipeline capacity arrangements and the recommendations outlined in its Draft Stage 2 report. Our submission outlines components of the proposed capacity auction and trading platform design that should be considered further within the review.

Gas Market information

AEMO considers that the recommendations to improve the coverage and quality of information on the Gas Bulletin Board (GBB) will provide greater information transparency and reduce information asymmetries. This in turn will facilitate efficient trade in gas on the east coast. However, AEMO considers it important that the recommendations in the information review are cognisant of any future requirements from outcomes in the other review work streams.

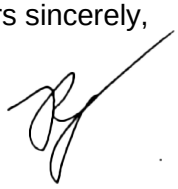
One of the more substantial recommendations is to overhaul the reporting framework by requiring pipelines to provide AEMO with disaggregated receipt and delivery point data. AEMO would then be required to aggregate this information for publication on the GBB. The goal of the aggregation is to present the information in a useful and meaningful way through the use of new *aggregation zones*.

The new reporting framework therefore implies that a significant change to the current suite of GBB zones may be required. While AEMO is supportive of this recommendation, specific consideration as part of this review should be given to the role and intent of these new aggregation zones. In particular, principles should be established in the National Gas Rules to define the purpose of aggregation zones and what should be considered in defining, altering and creating new zones. At the same time it is important that the rules framework provides an appropriate level of flexibility to enable these zones to be dynamically adjusted in a timely matter as market conditions change. Clarification from the AEMC on the role of zones in the broader reporting framework is key and will aid in any future zone redefinition consultation process that follows the conclusion of this review.

AEMO provides its submission in the form of two attachments. Attachment A provides AEMO's feedback on the East Coast Wholesale Gas Market and Pipeline Frameworks Review Draft Report. While Attachment B provides our response to the chapter 2 and chapter 3 questions in the Draft Report.

AEMO looks forward to engaging further with you during the course of this Review. If you would like to discuss the contents of this submission further, please do not hesitate to contact Violette Mouchaileh, Group Manager Market Enhancement, on 03 9609 8551.

Yours sincerely,



Peter Geers
Executive General Manager, Markets

Attachments:

a) AEMO submission on East Coast Wholesale Gas Market and Pipeline Frameworks Review Draft Report

b) AEMO submission on Gas Market Information

Attachment A: AEMO submission on East Coast Wholesale Gas Market and Pipeline Frameworks Review Draft Report

This attachment outlines AEMO's views on the findings and draft recommendations set out in the Draft Stage 2 report.

1 Pipeline Capacity Markets

Effective pipeline capacity trading arrangements are an essential component of an efficient and liquid wholesale gas market. AEMO supports the AEMC's consideration of the pipeline capacity arrangements and the recommendations outlined in its Draft Stage 2 report.

1.1 As-available capacity auction

AEMO is supportive of the AEMC's proposal to implement an auction for contracted but un-nominated capacity with a regulated reserve price for all pipelines. This recommendation should support the short-term allocative efficiency of pipeline capacity which in turn will facilitate greater short term trading of gas on and between pipelines.

AEMO considers that the design of the auction itself should be a focus of the next stage of the review. Some of the areas that would benefit from further consideration are outlined here.

One area of particular priority is the auction and its interaction with market and pipeline operations:

- *Interface with the gas market:* to ensure that shippers can purchase capacity in the auction and then use that capacity to trade gas between hubs. An example of where this may be challenging is the STTM because the proposed auction will run after the ex-ante market schedule. Further, the pipeline capacity rights are ordinarily registered with the market through a manual submission and confirmation process between the pipeline operator and the shipper.
- *Interaction with pipeline operations:* to ensure that the auction timing is compatible with pipeline nomination and scheduling.

Consideration should also be given to:

- Development of the standard capacity product(s) that is sold to shippers in the auction.
- How pipeline operators determine available un-nominated capacity for the auction, and how this information is released to the market.
- How participants bid for capacity.
- Pricing mechanism e.g. whether the auction is settled on cleared price or is pay as bid, taking into account competitive dynamics and incentives.
- Gas trading requirements, noting that sufficient time will need to be provided to allow participants to manage their portfolios.

The draft report highlights concerns that for pipelines with low levels of contracted capacity, capacity released via the auction mechanism may compete with uncontracted spare firm capacity. The report suggests that pipelines with low contract levels may need to be exempt from the regime or that capacity sold via the auction is sold at a reserve price above short run marginal cost. However, it is not clear that these measures are required.

By definition, pipelines with low levels of contracted capacity will likely have low levels of capacity released via the auction mechanism. Therefore participants who require capacity

over the long term will need to still contract for it long-term as they will not be able to rely on there being sufficient volume available in the auction to meet their requirements.

Further, if it is assumed that the auction does compete with long-term contracting by the pipeline operator, it is not clear that there would be an issue with the setting of the reserve price. The investment cost for capacity that was once contracted for under long-term or foundation contracts would likely have been recovered through those contracts. Given this, it is not clear why the report states capital costs will still need to be recovered (on an ongoing basis) through the auction. It is therefore not apparent why the auction for un-nominated contracted capacity would need to be set above short-run marginal cost on a pipeline with low levels of contracting.

Further consideration should also be given to the inclusion of uncontracted capacity in the auction. Pipeline operators could voluntarily add their uncontracted capacity to the auction or it could be mandatory for the uncontracted capacity (or a portion of the capacity) to be included in the auction.

1.2 Capacity trading platform

AEMO supports further consideration of a platform for the secondary trading of pipeline capacity.

Multiple platforms exist already for shippers to advertise spare capacity, but any transactions formed between traders are not executed through the platform. It is assumed that the reform would extend services to shippers by providing a platform for transactions to be formed and information about those transactions to be published.

AEMO supports the development of a single central platform, the reasons for this position are outlined below:

- Single interface for shippers would aid participation. Single participant interface for submissions and reporting would reduce the cost of participation.
- Share the development costs across pipelines and reduce total cost of implementing the reform.
- Common prudential and settlement arrangements. Single lodgement of collateral.

The platform is likely to share functionality (for example, accreditation and settlement) with the as-available auction mechanism. As such, consideration should be given to combining the two mechanisms into a single platform.

It may benefit shippers to have the ability to use an auction mechanism for the trading of spare capacity given the bespoke nature of point-to-point pipeline services. Exchange trading requires all of the trading terms and conditions to be standardised and as such it is likely that a large number of markets would be required to cater for all of the potential trading requirements of the market. An alternative would be to allow shippers to lodge their trading interest on the platform to be auctioned to the highest bidder.

The report states that shippers would not be permitted to enter into a bare-transfer. The driver for this part of the reform is not clear and should be given further consideration by the AEMC. If pursued it would mean that services to support the transfer of capacity between shippers will need to be developed on all pipelines. Further, this service must be used by shippers and as such consideration should also be given to the regulations governing its pricing. An alternative would be to consider obligations in relation to the compulsory reporting of transactions to a central reporting party.

It is not clear in the report if the capacity transaction information is to be published on the Gas Bulletin Board (GBB). AEMO would appreciate any clarification that could be provided.

1.3 Standard terms and conditions

Standardising terms and conditions aids the efficient, short-term trading of pipeline capacity between shippers. Standardisation would also help participants to interpret and benchmark pricing information published for pipeline capacity transactions. However, it should be noted that AEMO and industry (through the GSHRG) developed standard terms for capacity transactions. To date these standard terms have had limited take up by industry. For further development to be successful it is likely to require detailed industry input and coordination and may also require regulatory changes.

Standardisation of pipeline capacity terms and conditions should be considered in conjunction with the development of the as-available auction. Where possible, the terms and conditions for the auction and the secondary trading of pipeline capacity should be the same.

2 Northern Hub

AEMO supports the development path outlined for the Northern hub. The recommendations align with the proposal to transition to a single Wallumbilla gas market through the implementation of the Optional Hub Services model. AEMO has commenced work on the implementation of a hub service trading product (targeting October 2016) and the transition to a single Wallumbilla gas market (targeting March 2017). AEMO looks forward to working with the AEMC to develop and monitor benchmarks for the performance of the market.

2.1 Balancing

In its Draft Stage 2 report, the AEMC highlights a concern raise by a stakeholder relating to the design of the GSH, specifically a lack of delivery certainty after a trade has taken place on the exchange. AEMO is not aware of any concerns over the current GSH balancing arrangements from existing trading participants.

The market framework provides participants with the option to settle any imbalances associated with a gas delivery failure through the regular market settlement process. To date this mechanism has not been used by trading participants. AEMO understands that trading participants generally prioritise the allocation of gas to meet their GSH transactions as the obligations are stronger than other bilateral deals.

It is important to note that the GSH has been established at Wallumbilla which is a major supply and transit location. In comparison to demand hubs, the balancing requirements of these gas hubs is a smaller portion of the through-put at the hub. This is because facility operators are able to match the injection, delivery and transfer nominations and they do not have to balance the variations caused by uncontrollable withdrawals at the hub. That said, as the east coast gas market is undergoing a period of significant change it is important to continue to monitor the balancing requirements of the market.

2.2 Competition for hub services

Competition for hub services will be important for the development of a single gas market at Wallumbilla. AEMO supports further consideration by the AEMC of an auction for contracted but un-nominated capacity and its application to hub services at key gas trading locations.

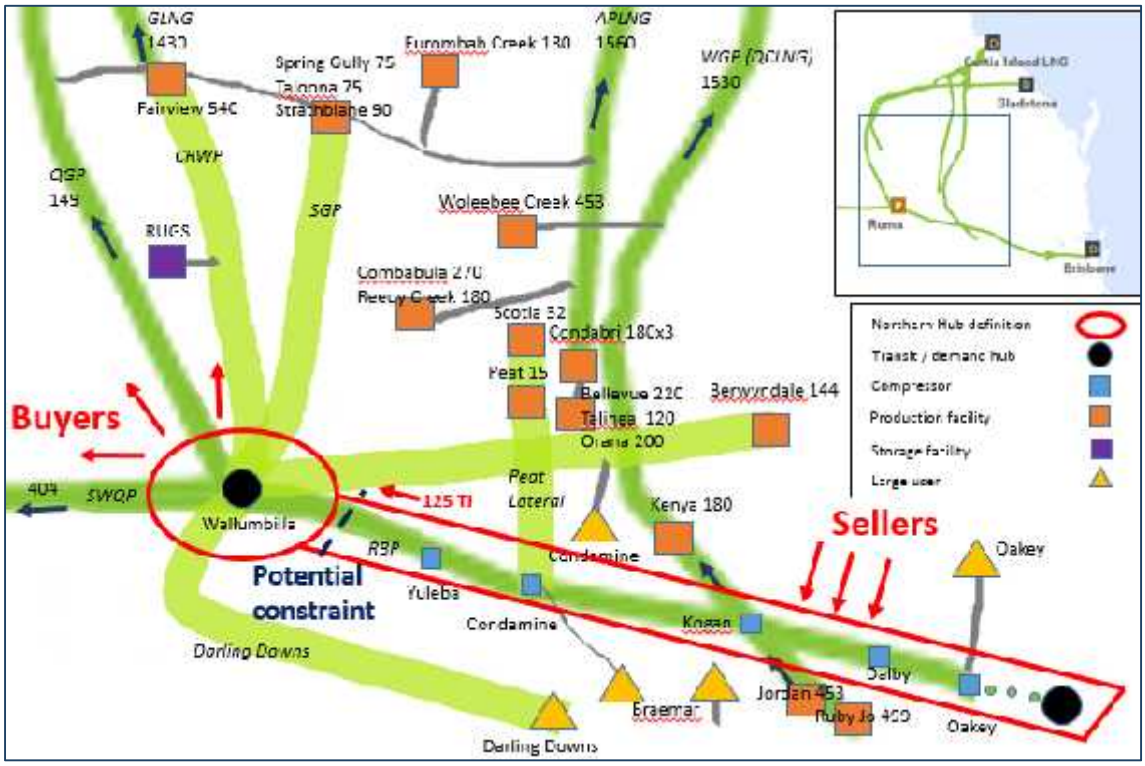
2.3 Virtual hub

The Draft Stage 2 report outlines criteria that should be considered in determining whether or not a virtual hub is appropriate. An important consideration not listed in the report is that of the hub definition and congestion management.

A virtual hub design facilitates trades between buyers and sellers located anywhere on the gas system. This feature enhances liquidity by pooling buyers and sellers into a common market for gas trading. The system operator is responsible for the delivery of transactions on the system.

As noted in the Draft Stage 2 report, the RBP is a complex system. Pipeline constraints could make it difficult, and hence increase the operational costs, for a system operator to deliver trades at a virtual hub defined around the RBP. The diagram below shows that there are multiple gas fields that inject into the RBP, multiple large users withdraw gas from the pipeline and the capacity of the pipeline to flow into the Wallumbilla compound is limited to 125TJ.

Figure 1: Southern Queensland Gas Facilities



Note: the diagram has been included to illustrate a gas market scenario - it may not include all facilities and connections. All values are standing capacity (TJ) as supplied to the GBB in February 2016.

In the event that demand on the eastern section of the RBP is low (which may occur if electricity prices and hence gas-powered generation is low) then buyers at Wallumbilla could be matched with sellers injecting supply into the RBP – the aggregate quantity of these transactions could greatly exceed capacity of the RBP to flow into the Wallumbilla compound.

The pipeline capacity constraint could be managed by reducing the entry and exit capacity that is issued to participants or through locational commodity and capacity trading by the system operator – both options would diminish the benefits of establishing the virtual hub and increase participation costs for trading participants. As the RBP is one of many pipelines in

Queensland, participants may detour the hub in response to the higher participation costs. These types of constraints are not as visible at present because shippers tend to transport gas along a commercial path in accordance with their contractual rights.

A hub definition with a greater geographical area may provide the system operator with additional options for managing congestion (for example, gas could flow to Wallumbilla on a different pipeline). Another alternative would be to consider a different location for the definition of the Northern hub. For example, the SWQP is likely to have many similar participation benefits but with less potential constraint issues. As illustrated in this discussion it is important for the AEMC to consider the transmission network and congestion management as part of the virtual hub analysis.

2.4 Moomba GSH trading location

The Draft Stage 2 report outlines the AEMC's concern in relation to multiple trading hubs and the implementation of the Moomba hub. It is stated that the AEMC sees a risk in spreading the limited trading on the east coast too thinly and that a common trading location is required to support liquidity, a meaningful reference price and to provide participants with the confidence to use the markets regularly.

AEMO believes that providing there is effective and efficient access to pipeline capacity then multiple spot markets at physical gas trading hubs can support efficient allocation and utilisation of gas and provide a signal for the efficient use of, and investment in, gas infrastructure. Spread product functionality will be introduced to the GSH as part of the implementation of the Moomba gas trading hub. The spread product will link trading between Moomba and Wallumbilla and by doing so will help to alleviate the AEMC's concerns.

3 Southern Hub

AEMO has provided a separate submission to the Declared Wholesale Gas Market Review. That submission outlines our views on model development process, and provides the AEMC with specific feedback on elements of the proposed Southern Hub model that could use further analysis prior to any implementation decision. For completeness, a summary of our comments are here. This section also addresses specific matters raised in the Wholesale Markets Draft Report.

The Southern Hub model replaces the current market carriage capacity arrangements with an entry-exit capacity model, and the mandatory central market schedule with a voluntary trading exchange that continuously matches bids and offers (collectively, 'the model'). AEMO considers that the Southern Hub model is an appropriate model for further assessment against the Victorian Government's Terms of Reference and the COAG Energy Council's vision.

However, AEMO believes that a further phase of analysis and evaluation of the Southern Hub model against the existing market is required to validate the suitability of the model to the Victoria system and the benefits of transitioning away from the current arrangements. This analysis should precede any decision on implementation. As part of any analysis to support whether the Southern Hub model should be implemented consideration should be given to:

- Tailoring the model to the Victorian system and industry structure. So far discussion on the Southern hub model has largely focussed on how similar market designs work in Europe. The model should now be refined so that it is a model for Victoria, with particular recognition given to the physical system - a meshed network of transmission pipelines with physical limitations and bespoke requirements.

- Assessment of the benefits and limitations of the Southern Hub model against the current market. Analysis to date has focused on potential benefits of the market with only limited consideration of the existing arrangements. As the Southern hub would replace an established and functioning market, the goal should be to understand the incremental benefits and trade-offs of the new market against the implementation costs. The review should therefore undertake a side-by-side assessment of the current market against a more detailed design of the proposed market. This analysis should serve as the basis for any justification to transition to a new market design.
- Alternate model options that directly address some of the issues raised in this review (for example options to address issues with capacity rights in the DTS) in an incremental way without requiring a complete overhaul of the market framework should be considered. An assessment could then be undertaken as to whether it would be more beneficial to retain the existing arrangements, make incremental enhancements to the current market, or to implement a completely different market design.
- AEMO considers that the review process would benefit from more frequent and active consultation with industry. AEMO encourages a process that enables greater industry involvement in developing the design. Some form of technical working group process may aid industry engagement and would be appropriate given that the review must now turn to matters of detail to inform the design.

AEMO considers it important that specific design elements of the Southern Hub model are subject to further analysis. AEMO has the following feedback in response to comments on the Southern Hub model in the Wholesale markets draft report:

- *Price Discovery.* The report outlines that a key benefit of transitioning the model is the emergence of a reference price that will support financial trading. AEMO considers further analysis should be undertaken on the pros and cons of the proposal and why the proposed reference price is superior to the current schedule-based price.

  In addition, the pros and cons of transitioning to a voluntary exchange could use further consideration. Further analysis should be given as to the ramifications for wholesale and retail competition in Victoria if the voluntary exchange does not prove itself to be liquid.
- *Balancing model.* It should be recognised that the balancing requirements of the Southern Hub and Northern hub will be vastly different due to the different nature of the hubs. In particular, the large retail load in Victoria means that the role the hub operator would play in residual balancing at each location is likely to be quite different. The hub operator in Southern Hub will likely need to be more active in the balancing market and may require different tools to balance the system. While there is an opportunity to harmonise participant interfaces, a one-size fits all balancing model may not be appropriate given difference in underlying physical requirements and market dynamics.
- *Entry and exit capacity.* Further analysis is required on the implications of moving away from an economic dispatch underpinned by open access to an entry exit capacity model. Specific analysis on the options for allocating entry exit capacity (including capacity into distribution networks is required). AEMO considers it likely that the implementation of a capacity release mechanism will be desirable under this model and would welcome further analysis on this from the AEMC. Consideration should be given to how the Victorian-entry exit arrangements would interface with the contract carriage capacity model for the rest of the east coast.

- *System security and system operation*. As the model would change the role of the hub operator and moves away from an economic dispatch further analysis on the implications for system security and system operation is required. Specifically, the ability of the hub operator to manage congestion needs consideration. Similar to balancing, given the difference in underlying demand and physical infrastructure, the tools and mechanisms the hub operator needs for the southern hub are likely to be different from those required for the northern hub. The adequacy of the current system security arrangements (curtailment procedures, emergency powers etc.) and whether any new mechanisms are required should also be assessed in light of the proposed changes to the market design.

4 Short Term Trading Market

AEMO supports further consideration of a simplified STTM design as it has the potential to focus liquidity at the gas trading hubs (Wallumbilla, Moomba and Victoria). This section highlights matters that the AEMC should consider further as part of the review.

Pros and cons of a simplified design

AEMO encourages the AEMC to consult on the pros and cons of the simplified design with industry as part of review process.

A good illustration of the pros and cons of a simplified design are the constraint pricing and backhaul mechanisms. The mechanism add a level of complexity to the market arrangements but they also allow greater levels of trade and efficiency to be achieved. The AEMC should as part of the review process communicate to industry that these mechanisms (which are utilised by some participants to optimise their portfolio) would not be available under a simplified design.

Emergency event coordination

The Contingency Gas mechanism within the current STTM design provides a market-based response and the coordination of industry during an emergency event. To date the review has not considered emergency event coordination. AEMO encourages further consideration of this function as part of the review.

Cost of operating the market

The Draft Stage 2 report states that the AEMC considers that much of the costs associated with the market design can be removed by moving to the simplified design. However, there is no guarantee that the cost of operating the market (and hence the market fees) will fall in response to simplifying the design.

Market fees are expected to fall in the coming years as the implementation cost of the market is repaid. Simplification of the market is unlikely to further reduce the cost of operating the market. The simplification of the STTM design would require the development of changes to the market systems, and as such, there could an impact on the participant fees associated with the new design.

Timing of development work

The development roadmap outlined in the Draft Stage 2 report indicates that reform of the STTM would occur after 2020 and after liquidity has developed at the Northern and Southern Hubs, and in pipeline capacity trading. AEMO supports this approach and encourages the AEMC to develop a plan for the development of the new design. The plan should consider and assess changes to the market design to address existing issues (which would continue to be relevant to the simplified design) as well as development work on the new simplified market design prior to 2020.

Attachment B:
AEMO submission on Gas Market Information

Chapter 2 questions

1. How should the reserves reporting obligations for producers be established to achieve the publication of relevant and timely information on the Bulletin Board?

AEMO is supportive of the AEMC's recommendation to publish reserves on the Gas Bulletin Board (GBB). AEMO also supports the AEMC's preferred option to have producers submit this data rather than have AEMO collate publicly available information. It is worth noting that the level of publicly available information differs from producer to producer. Receiving the information directly from the producers reduces the risk of inaccuracies in the data, increases the likelihood the information is complete and consistent, and from a Bulletin Board Operator perspective, would be the less costly option. AEMO would be supportive of the data and reporting requirements being at least in-line with the Queensland Government requirements, for consistency and to minimise costs for Producers.

This information would assist AEMO in producing the Gas Statement of Opportunities (GSOO). Under the National Gas Rules, AEMO is required to annually publish information about reserves, gas production facilities, pipeline infrastructure, and projected demand. This information is modelled to produce an assessment of gas supply adequacy in eastern Australia as part of the GSOO. The GSOO provides gas industry participants, investors, and policy-makers with transparent information to support efficient decision-making.

AEMO surveys producers and gas infrastructure owners to ensure the most recent data is used in the GSOO modelling process. Included in this survey is a request for reserve information from each of the producers' gas projects. However, as there is no requirement for producers to respond to this survey, the information provided can potentially be inconsistent or incomplete.

Ideally, at least 2P (best estimate of commercially recoverable reserves-proven and probable) would be required, while the addition of 3P reserves (proved, probable, and possible reserves), 2C resources (best estimate of contingent resources), and prospective resources would be useful for GSOO purposes. These additional reserve and resource categories allow AEMO to provide greater insights as part of the GSOO analysis.

It should be noted that the frequency of provision of reserves data is important as changing market conditions can affect reserve estimates. As such, at least six-monthly reporting of reserves should be considered. If the intent is for this information to also be used for GSOO purposes, consideration should be given to aligning the provision timeframes with GSOO timeframes.

2. Is there any value in requiring producers to report their uncontracted reserves on the Bulletin Board?

Industry is best placed to comment on the added value in reporting uncontracted reserves.

3. Will large users be capable of providing AEMO with their metered gas data on the day after the gas day (D+1)?

AEMO considers that from a technical standpoint, provision of this information by large users should be possible. Large users are best placed to comment on the costs and any associated issues with this proposal.

Consideration should be given to how the initial registration of this new facility type takes place. It would assist AEMO in contacting and registering large users if transmission and

distribution pipeline operators were required to provide AEMO with a list of all appropriate large users prior to the commencement of this new obligation.

AEMO agrees with the AEMC that where a pipeline operator is already providing actual flow information for a delivery point used by a single large user it may be appropriate for the large user to be exempted from providing its actual consumption (the same information). However, it is important that the pipeline operator is providing information consistent with what a large user would otherwise provide. This may need to be reflected in the reporting obligation framework.

4. In what circumstances could the release of pipeline nominations and/or actual flow information on single shipper pipelines affect competition in another market?

AEMO wishes to highlight that there is an important distinction between single shipper pipelines that are physically isolated and single shipper pipelines that are interconnected with other multi-shipper pipelines and markets. Interconnected single shipper pipelines have the ability to affect flow dynamics on the multi-shipper pipelines they connect to and/or market outcomes in the markets with which they interface. In such a situation, the shipper on the single shipper pipeline may have an information advantage over the other shippers if it is the only party that has visibility of changes in flows on its pipeline[1].

Such information asymmetries, which generate uncertainty and risk for shippers, may undermine efficient trade in capacity and commodity on the interconnected pipeline(s). Where these single shipper pipelines also interface with a wholesale market, the risk and uncertainty from the information asymmetry may affect participation, competition, liquidity, and efficient market outcomes. The default position should therefore be to treat such pipelines in the same manner as other BB Pipelines.

5. Are any specific measures in the NGR required to delay the release of information on single shipper pipelines where it can be demonstrated that the release of this information would affect competition in another market?

As outlined in our response to Question 4, consideration should be given as to the whether such information could give the single shipper an information advantage over other shippers (or market participants where the pipeline interfaces with a market) before such information is withheld or its release delayed. The default position should be to treat single shipper pipelines and their reporting obligations the same as other BB pipelines.

6. Is there any benefit in conducting a trial on a select number of pipelines to determine the costs and benefits of moving to a real time or intra-day reporting model, or should such a trial be deferred until there is a greater demand for this type of information?

AEMO supports the consideration of real time data provision on the GBB. However, a trial for real time or intra-day reporting on the GBB may incur a reasonable cost to implement. The AEMC should give specific consideration to the scope of any trial prior to any recommendation as the range of what constitutes real time data (and what is required for industry use) is broad. In addition, if there is a strong case for real time data it may be more practical for a holistic implementation as opposed to a trial to be undertaken. Provision of real time data should also be considered alongside proposals in the other AEMC gas review streams. For example the AEMC's draft recommendations for the Victorian Declared Wholesale Gas Market may require real time data for participants to effectively manage their positions in the balancing market.

7. Is there any benefit in implementing an alert system to inform market participants of any changes to nominations or the capacity of BB facilities during the gas day?

[1] This is particularly the case where the single shipper pipelines are large and/or bi-directional.

Scoping, developing, and maintaining a useful alert system for the GBB could be of substantial cost and should be weighed against benefits. It should be noted that the GBB does not currently have the functionality to provide alerts directly to individual users. Depending on the nature of the proposed alert system, new systems may need to be put in place, including, for example a new user account system[2].

If GBB alerts were to be implemented and sent out via AEMO systems, they would need to be carefully scoped to ensure they are meaningful, and not just noise. During December 2015, AEMO received more than 1600 data points per day. Some of these updates are just to refresh existing data and do not represent an actual material change.

It is also worth noting that participants in AEMO facilitated markets already receive alerts and notices to manage system security and their financial position from the market systems. In addition, participants with access to AEMO's data interchange —which facilitates direct data transfer to the participants' database— may also be able to use the information provided through that facility to set up their own tailored alerts in their own systems. Therefore the incremental benefit of a dedicated alert system for the GBB may be limited.

An alternative solution could be adding a 'last updated' field to the website reports as a more cost-effective and practical solution. Users would then be able to easily filter the data for the most recent changes. This information was available on the website prior to the redevelopment of the GBB in 2014 and users with access to the Data Interchange facility have access to this information already.

Chapter 3 questions

1. Is there likely to be any benefit in extending the reporting obligations to:

- Regional pipelines?
- Facilities in northern Queensland that are not connected to the broader system?
- Facilities in the Northern Territory?

AEMO considers industry is best placed to provide feedback on whether such information would be of use. The GBB has the functionality to incorporate such facilities if the need arises.

2. If facilities in the Northern Territory and northern Queensland were not to be included initially, should there be a trigger in the NGR to allow them to be captured by the reporting framework if they do become connected to the east coast market (or for another reason that is appropriate they be included in the Bulletin Board)?

It would be sensible to ensure that the registration and exemption requirements and reporting obligations in the NGR are drafted in a way that they are flexible enough to capture such facilities (without requiring a rule change) if the need arises. The AEMC could consider including some appropriate criteria in the drafting of Part 18 of the NGR.

3. Should production and storage facilities that are located within a distribution network be required to report if the distribution pipeline that services these facilities is not required to report on the capacity and use of the pipeline? If not, are there any specific matters that the Commission would need to consider before extending the reporting obligation to distribution pipelines that service these facilities?

In general, a facility should be required to report to the GBB if the facility has the ability to materially affect downstream markets for the trading of gas (commodity or capacity). Production and storage facilities that interface directly with a market (such as those in

[2] The GBB's current user account system is only for GBB facility operators and its functionality is limited.

Camden and Newcastle in New South Wales) should be required to report regardless of whether they connect to a distribution or transmission pipeline. An anomaly presently exists with the Camden Production facility and Newcastle Gas Storage facility as these facilities provide more information to the Short Term Trading Market than the GBB (as these facilities are exempt from GBB reporting obligations)[3][4]. This would seem to run counter to the aim of establishing the GBB as a 'one-stop-shop for information' on the East Coast.

If production and storage facilities that connect to distribution pipelines are captured, it may not be necessary to have further reporting obligations for the distribution pipeline, as this may only provide limited additional information. An assessment could be undertaken as to what additional information would be provided by distribution pipelines and whether this would be of value to the market.

It should be noted that the drafting of the reporting obligation for a distribution-connected production/storage facility will need careful consideration if distribution pipelines remain outside the reporting framework. This is because 'regular' production or storage facilities currently have their reporting obligations defined as flows with respect to the BB pipeline(s) to which they are connected (to-date, only transmission pipelines have been classified as BB pipelines).

[3] Camden Production Facility reported as a BB production facility until 7 September 2015 when AGL was granted an exemption for Camden Production Facility under NGR 151 (7)(a).
[4] The Newcastle Gas Storage Facility and Camden Production Facility provide Facility Hub Capacities to the STTM. In the case of the Camden production facility, flow and forecast flow information is provided through scheduled quantities in the STTM schedules for the Rosalind Pipeline. Offers for flows out of Newcastle Gas Storage are also provided and published following the gas day.