



EnergyAustralia

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Mr John Pierce
Mr Neville Henderson
Dr Brian Spalding
Australian Energy Market Commission

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

Dear Commissioners

enq@energyaustralia.com.au
energyaustralia.com.au

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Enhanced Information for Gas Transmission Pipeline Capacity Trading, Consultation Paper, 16 July 2015

EnergyAustralia welcomes the opportunity to make a submission on the Enhanced Information for Gas Transmission Pipeline Capacity Trading consultation paper. This rule change aims to encourage secondary capacity trading through by providing additional information to the market. Also addressed in the consultation paper are other information gaps that would improve market outcomes.

EnergyAustralia is one of the country's leading retailers, providing gas and electricity to more than 2.6 million customer accounts. We own and operate a range of generation and storage facilities, including coal, gas and wind assets, in NSW, Victoria and South Australia.

Daily capacities are important for optimising positions and will help to promote secondary capacity trades. Until there is an established liquid market for capacity where buyers and sellers can be confident in the market price, proper valuation of capacity to assist negotiations will require additional information.

Additional information requirements should be development in line with the following three principles:

1. Information required to value transportation capacity and understand constraints should be available to the market.
2. Requirements on production facilities, storage facilities, and in-pipe storage should be consistent.
3. Compliance and implementation costs should be minimised. This should consider existing metrology, data collection, and data provision arrangements.

Information requested in the rule change

Uncontracted primary capacity. Pipeline operators would provide a three year (36 months) outlook of uncontracted, primary capacity on BB pipelines. This information would be provided monthly for each month of the 36 month outlook period.

Ultimately the market should aim to progress to the point that pipeliners volunteer to offer capacity through the same mechanism as are secondary trades. Until the market develops to this point, transparency of forecast available primary capacity will support the secondary trading market by offering alternative means for sourcing capacity. This competition will help participants to value the capacity and help to create a market.

The 36-month outlook period is appropriate and consistent with timeframes in which shippers look to contract capacity.

Contact details of contracted shippers. For each BB pipeline, pipeline operators would provide a list of contracted shippers and their contact details, in relative order of their contracted capacities. This information would be provided on a monthly basis.

We support our contact details being made available to shippers seeking pipeline capacity on pipelines with which we are contracted. This information will reduce search costs for secondary trades. However the ordering by volume will not add value and may give insights into commercially sensitive information.

Secondary capacity trading. Pipeline operators would provide secondary capacity trading information from their trading platforms, reported monthly. The extent of the information required would be specified in the Bulletin Board Procedures.

We support transparent markets and believe trade should occur on market where possible. However we have two concerns which we believe are significant enough for the AEMC to consider not pursuing trade reporting in this case in line with the purpose of the proposed rule.

- The level of secondary trading activity may mean the costs of reporting obligations will outweigh the benefits of additional market information.
- Reporting requirements on capacity trades may act to discourage trades due to the information that must be provided to the market.

Detailed facility data. Detailed facility data would be provided for pipeline, storage and production facilities. This would include information on pipeline receipt and delivery points, and the receipt and delivery points at which the facilities are located. The data is to be updated as soon as practicable once information previously provided is identified to be inaccurate.

We are happy to provide detailed facility data for the BB facilities which we operate. This information, combined with more detailed gas flow data, is important for a physical understanding of the market. This will help with operational processes and establishing contracts.

Gas flow data. Pipeline operators would provide aggregated receipt and delivery point flow data by zone on a day-after basis, which would be published on the Bulletin Board.

We agree this data should be provided. As it is currently captured by pipelines, the provision of this data to AEMO through established data provision mechanisms should not be an issue.

Extra information potentially covered by a more preferable rule

Medium term capacity outlook

The Gas Bulletin Board currently provides two reports on capacity outlook.

- Capacity Outlook. A 7-day capacity outlook (INT922) for all GasBB facilities including production facilities, storage facilities and pipelines.
- Medium Term Capacity. Information that the operator of a facility issues to relevant BB shippers about matters expected to affect the daily capacity of the facility for an outlook period extending beyond the current short term capacity outlook

Medium Term Capacity information is the same information provided to individual shippers for the purpose of managing their own position. However the provision of this data to the market is for a different purpose related to overall market dynamics. In periods of changed market circumstances it is useful for managing positions and maintenance schedules. The data provided in its current form cannot be used for this purpose and must be presented differently to be effective. The Capacity Outlook report is an appropriate format which could easily be extended to accommodate this data. We believe a three year outlook period is appropriate.

Linepack

The current information provided on linepack is sufficient for shippers to optimise their positions. More detailed information on linepack may not assist the market in making better decisions and as such we do not recommend this is pursued.

The exception is the Victorian DTS. The limited availability of linepack makes pressure regulation more difficult. This often requires injections of LNG for the network to remain at operating pressure. Live linepack data is collected by AEMO for operation of the network and is already provided through MIBB report INT128 when operational schedules are approved.

Supply nominations for production facilities

Nominations and forecast flows on pipelines are useful for identifying when spare capacity may be available in the short term. This allows for better pipeline utilisation when shippers can take advantage of 'as available' capacity or secondary trade.

The same obligations on production facilities may appear symmetrical but do not offer the same advantages. Gas Supply Hubs and forward markets may be better mechanisms to assess short-term supply conditions and arrange future supply. This should be considered in the context of recent market developments by AEMO and the AEMC and the maturity of the commodity markets. Forecast flow data is also already available for Bulletin Board registered pipelines and as such this information could be considered redundant.

Storage facilities

Storage facilities should provide information which helps the market function efficiently. This information will align with what is required from production facilities including short and medium capacity outlook, detailed facility data, and historical production. Production facilities, storage facilities, and in-pipe storage should be treated equally to maintain competitive neutrality and provide the market complete information.

Actual storage levels/reserves help participants to predict likely supply availability and shortfalls, this information should be provided. Low storage volumes will indicate lower injections available to the market but will not be represented in the capacity outlook. This will assist participants in valuing gas correctly and will increase overall market efficiency. This effect is most acute in smaller and in-pipe storage due to their use in managing short-term supply fluctuations.

The Iona Under Ground Storage Facility currently uses an estimation method to determine the storage level. Direct measurement would not materially improve the information and impose costs disproportionate to the benefit. The rules should allow for a cost effective and practical level of accuracy.

Conclusions

We recommend:

- Information relating to capacity should be made available to the market. This includes a more detailed and standardised capacity outlook which helps participants optimise their positions.
- Reporting of physical volumes should be considered in line with production facility reserves and connected storage facilities to provide clearer information on available capacity.
- Storage facilities be treated consistently with production facilities.
- No additional reporting obligations on injection/withdrawal nominations as forecast pipeline flow data is already available.

If you any have further questions please contact me on (03) 8628 4518 or at Ben.Hayward@EnergyAustralia.com.au.

Regards



Ben Hayward

Wholesale Regulation