



## DRAFT RULE DETERMINATION NATIONAL GAS AMENDMENT (ENHANCED INFORMATION FOR GAS TRANSMISSION PIPELINE CAPACITY TRADING) RULE 2015

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### INTRODUCTION

QGC Pty Limited (**QGC**) is pleased to provide comments on the Draft Rule and Determination – National Gas Amendment (Enhanced Information for Gas Transmission Pipeline Capacity Trading) Rule 2015 (**the Draft Rule**). We recognise that relevant and timely information plays an important role in supporting the development of a liquid and transparent wholesale gas market. We note that the Draft Rule makes a series of incremental changes to the information published on the Gas Bulletin Board (**GBB**). In responding, and acknowledging the broader market development issues under consideration at this point in time, we suggest:

- That the issues in this Draft Rule are collectively assessed with other identified GBB information gaps once the direction of gas market development (i.e. on capacity trading and wholesale market design) is clear (likely early next year).
- Depending on the outcome of this Rule change process, the AEMC should reconsider how the LNG export pipeline flows are published on the GBB as part of the next phase of consultation.

### A STRATEGIC APPROACH TO EAST COAST INFORMATIONAL REQUIREMENTS

In our view it is too early to form definite views on the issues raised in the Draft Rule. Outcomes from Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review (**the Gas Market Review**) are likely to have significant impacts on the types of information required by the market. We suggest the AEMC re-engage with stakeholders on these matters in early 2016 and initially define the overall objectives of the GBB.

1. **A strategic focus is necessary** - Informational requirements are also being progressed as part of the broader the Gas Market Review and QGC has participated via the Information Working Group Stream. While this Draft Rule requires a separate consultation process, the Australian Energy Market Commission (**AEMC**) is taking an integrated approach to considering both processes. We are, however, concerned that both processes lack an overall high level strategic approach. Without a forward-looking focus, the combined processes are likely to result in adhoc, incremental and inconsistent changes that do not fundamentally address the changing needs of participants, following the introduction of the LNG industry, and the barriers to promoting a liquid east coast gas market.
2. **Addressing short-term information gaps is the priority** - In terms of a medium to long-term outlook, current information sources (e.g. Gas Statement of Opportunities and GBB and state government reporting of reserves) provide a sufficient and reasonable level of information on the east coast supply-demand balance. In contrast, more significant changes are necessary in relation to shorter-term information provision. The approach needs to shift from previous day infrastructure reporting (e.g. production at processing plants, pipes and storage) to a platform that captures data that is relevant to domestic gas trading and managing commercial positions.

- 3. Alternative approaches may provide more relevant information** - For example more frequent (real-time) reporting of entry and exit gas from the LNG systems would more appropriately inform the market of immediate supply-demand changes and enable participants to respond accordingly. Similar models are core elements of mature gas markets in Europe and the UK. QGC has developed a “real-time delivery and receipt point” model that captures these features within our system and this approach could be applied more broadly on the east coast.

The Draft Rule “cuts across” these issues, but without an overarching, co-ordinated and consistent approach. Furthermore, changes put forward now could limit the ability to implement more fundamental changes in the future. In our view, there is significant benefit in deferring these issues, for a short period, until the overall policy direction for the east coast gas market is clearer.

## **DRAFT RULE AND DETERMINATION**

Notwithstanding the general views expressed above, QGC provides the following comments on specific aspects of the Draft Rule and Determination:

- 1. Pipeline capacity information** – the Draft Rule would require pipeline operators to provide a one year (12 month) outlook of uncontracted primary capacity. While this information might provide some marginal benefits, it is unlikely to materially increase the level of pipeline capacity trading. As such, we are unsure why this proposal would be developed and introduced ahead of understanding the COAG Energy Council’s position on capacity trading.

Furthermore, the focus of reform should be on delivering change that directly supports increased trade in pipeline capacity (to the extent that it underpins gas trading) across the east coast. In our view, information is not the fundamental barrier to increasing the level of capacity trading (primary or secondary). As mentioned in early submissions, priority should be given to identifying and addressing issues with the underlying regulatory and market frameworks. In our view, these are the pricing structures for pipeline services and the lack of incentives for the shippers to release unutilised capacity.

- 2. Information disclosure and confidentiality** – QGC does not have any fundamental issues with the proposal to publish aggregated receipt flows. Rather it raises a matter of consistency regarding the treatment of other shipper’s information on the GBB.

In fact, QGC supports improved transparency and considers that, under the existing GBB structure, all main gas users, pipelines and storage that are currently not reporting should be included. However, the form of reporting should not commercially disadvantage one party over another. The provision of information should be on a level playing field and not unfairly expose any market participants’ commercial position.

This is consistent with AEMC’s view expressed in the Draft Determination that states that “if this information was to be made public it would represent a significantly higher level of information disclosure than is currently required and for example would reveal the gas consumption of large gas users”.

With the declaration of the Curtis Island Demand Zone, LNG export pipelines have commenced reporting individual flows on the GBB. While this assists the market in understanding changes in supply and demand, it gives rise to shippers facing similar issues

concerning information disclosure. We have previously expressed that the aggregation of information on the three pipelines would address this issue. If the AEMC proceeds with this current proposal, in our view it provides the basis on which to reconsider the treatment of the LNGs Export pipelines

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