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16 August 2015

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

Dear Mr Pierce

GRC0033: Draft Rule Determination: Enhanced Information for Gas Transmission Pipeline Capacity Trading

Santos welcomes the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) draft determination on the Enhanced Information for Gas Transmission Pipeline Capacity Trading.

Santos is generally supportive of the draft determination, although believes that further clarification is required on the draft position for the proposed changes to the information provisions as they pertain to gas storage facilities.

As mentioned in our submission to the issues paper, the Santos storage facilities are not available for third parties to contract, although they are an important part of the production facilities, it is with this in mind that Santos would like to offer the following comments.

Flexibility of production facilities

The draft determination notes:

Storage facilities that are used as part of production facilities can still have a material impact on the market by injecting gas into the system. Their capacity to respond to changes in supply and demand could be different to a production facility without integrated gas storage owing to the enhanced flexibility that gas storage can offer.

Santos believes this comment is an incorrect assertion, and does not fully appreciate the differences in storage facilities and the uses of them. Moomba storage has historically been used to manage the seasonal flexibility in the South Australian Cooper Basin (**SACBs**) long term Gas Supply Agreements (**GSA**). In contrast to the draft determination's comment

above, it should be noted that most production facilities have the ability to also manage this seasonal contractual flexibility, not just those with storage solutions as commented in the draft determination.

As an example, Gippsland Basin Joint Venture (**GBJV**) and other off-shore Victorian producers have also historically managed their seasonal flex within their own production facility despite not having dedicated storage, by being able to turn down their wells.

Santos' storage facilities are more akin to, and have the same use as the season flexing ability of off-shore facilities and also have a similar (minimal) level of ability to affect the market, however we note that this has not been a focus for the AEMC. It is important to note and acknowledge the similarities in these two forms of storage and impacts to the market before any rule changes are processed.

International experience

On review of the international examples provided by the AEMC in the draft determination¹, neither the US or UK example appear to display the level of information that is proposed in the rule change to appear on the Gas Bulletin Board (**GBB**).

In the US gas market, the US Energy Information Administration (**EIA**) produces weekly and monthly reports on all aspects of the market, including storage. From analysis of the reports and reporting requirement templates, there is no identification of individual storage facilities, however they aggregated the information into regions to remove the potential for any release of sensitive commercial in confidence information to the broader marketplace. The aggregate regional information is then release weekly or monthly on the EIA website detailing base gas, working gas, withdraws and injections. Furthermore, and in contrast to the AEMC draft determination, there does not appear to be any available forecast information (7 day ahead) in either the US or UK storage reporting.

Santos is therefore concerned that the level of information that the AEMC is requesting is above the requirement of even the most liquid of international gas markets. It would seem more prudent to at best, align with the level of detail in these markets or at least provide a comparison to these markets before suggesting additional information requirements.

Confidential information:

The services provided by a storage facility integrated with a production facility could equally be provided by an operator maintaining additional well stock and running wells at high turn down. Just as well production rates are confidential, the flow from storage wells are also confidential. These flows are extracted, delivered via trunklines from satellites and processed to meet existing contractual commitments in the same way the gas from other wells are.

Santos questions why specific, commercial in confidence information is being requested and publically reported by the AEMC, when there is not a similar requirement in the US.

It is important to reiterate that at no time does gas from storage enter the East Coast market without further processing from Moomba. All gas that enters the East Coast market comes

¹ US Energy Information Administration's Weekly National Gas Storage Report and UK National Grid's supplementary report on Storage and LNG Operator Information. Available at <http://ir.eia.gov/ngs/ngs.html> and <http://www2.nationalgrid.com/UK/Industry-information/Gas-transmission-operational-data/Supplementary-Reports/>.

directly from the Moomba processing facility, it is measured with an actual read published on the Bulletin Board the next day.

These are commercial and operational decisions designed to optimise the running of the SACBJV assets. In Santos' experience, the information that is required by the market is the amount of gas being sent into the East Coast from the Cooper Basin.

Closing statement

Santos believes the reason storage information for facilities that are used solely as part of a production facility is currently exempt from reporting is to acknowledge the seasonal flexibility that all operators of production facilities are available to provide in the market regardless whether they have dedicated storage or not, this has ensured a level playing field for both on-shore and off-shore producers.

We also understand that there is a requirement to increase the level of visibility on storage - especially storage that is available to offer third party storage services. However, it is Santos' belief that the recommendations in the draft determination appear to over-reach in the frequency and detail of information required in comparison with more liquid markets overseas.

Santos notes that the running of its facility and the use of storage is confidential in nature and views the US markets approach as a more appropriate balance between information visibility and ensuring commercial in confidence information is not released to the market. Aggregating zones or in Australia's case, aggregating by all proprietary storage facilities and third party storage facilities, then reporting on these monthly may be a way to balance information transparency and maintaining commercial in confidence information.

Santos believes that the draft determination in relation to additional storage information has not articulated a compelling case for additional information, especially for those facilities that are used solely as a part of a production facility. However as mentioned above, we do believe that there is a balance available that will manage the requirement for additional transparency and to maintain commercially sensitive information.

Should you have any questions in relation to this submission, please contact me at matt.sherwell@santos.com or on (08) 8116 5824.

Yours sincerely

Matt Sherwell

**Policy & Regulatory Affairs Manager
Santos Ltd**