

12 August 2015

John Pierce
Australian Energy Markets Commission
PO Box A2449
Sydney South NSW 1235
Submitted via AEMC website - GRC0033

Dear John,

RE: National Gas Amendment (Enhanced Information for Gas Transmission Pipeline Capacity Trading) Rule 2015

Thank you for the opportunity to provide comment on the Enhanced Information for Gas Transmission Pipeline Capacity Trading Consultation Paper (Consultation Paper). We note the COAG Energy Council has proposed changes to the National Gas Rules which would increase the amount of information that gas market participants are required to provide to the Australian Energy Market Operation (AEMO) for publication on the National Gas Services Bulletin Board (BB).

Stanwell's interest in the gas market is as a trader of gas and industrial buyer for the gas-fired Swanbank E and Mica Creek power stations. Swanbank E power station has a capacity of 385MW and is located 10km from Ipswich, QLD. Mica Creek power station is 302MW and is located near Mount Isa, QLD. Stanwell is an active participant in the Brisbane STTM and Wallumbilla hub.

Key issues

From Stanwell's perspective, the key issues relating to the BB are

1. Coverage
2. Compliance
3. Ease of use

Stanwell elaborated on these three concerns as part of our response to the East Coast Wholesale Gas Market and Pipeline Frameworks Review¹. The following is a brief summary of our concerns.

Coverage

It is Stanwell's understanding that there are certain pipelines and storage facilities that meet the criteria to be registered as BB facilities but which are not currently registered. Under the National Gas Rules, AEMO has a right to register these facilities in lieu of the operator. Stanwell suggests a comprehensive audit be undertaken of all pipelines, production and storage facilities to ensure that all facilities are compliant with their registration obligations. The audit would also reveal whether the rules are sufficiently clear on an operator's obligations and would also reveal whether the rules inadvertently allow exemptions to

¹ Pages 4-6, available at <http://www.aemc.gov.au/getattachment/991cef34-1a6b-40d9-8dfb-2efe93e44d7b/Stanwell.aspx>

important facilities. Stanwell's intent in questioning the current coverage is to enhance transparency and therefore support the development of the gas market.

Compliance

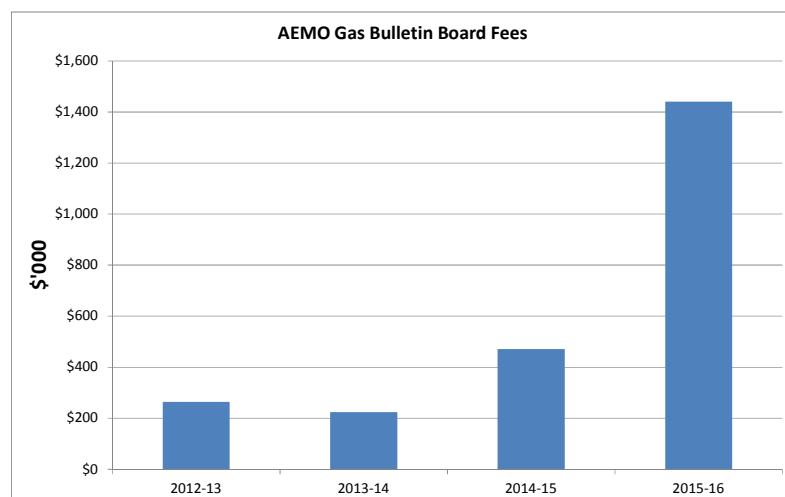
One of the key barriers to the BB providing useful information is the uncertainty regarding the timeliness of data publication under the current information provisions. Stanwell's traders have contacted AEMO numerous times regarding data which has been published late or not at all and been advised that although the data is late, no follow up action would be taken. Whether such leniency is a result of resourcing, empowerment or simply recognition of the ease of use issues described below is unclear, but creates concern regarding the robustness of data available. Although the AEMC proposes to mandate the provision of additional disaggregated data to AEMO, Stanwell is unsure how this will assist with the existing compliance problems.

Ease of use

Uploading and downloading information to the BB is cumbersome. In addition, certain information is not in standardised formats making it difficult to analyse. Stanwell supports the AEMC's proposal to have capacity information reported to AEMO in a standardised format and on a consistent basis. The resulting medium term capacity outlook would be beneficial to Stanwell and other market participants.

Information vs cost

While Stanwell supports most of the proposals in the Consultation Paper, we ask that the AEMC also consider the cost vs benefit of each proposal. The costs incurred by AEMO in operating and maintaining the BB are recovered from shippers that use BB pipelines. Stanwell is concerned by the recent rapid increase in BB fees as shown in the chart below.



Source: AEMO Energy Market Budget and Fees <http://www.aemo.com.au/About-AEMO/Corporate-Publications/Energy-Market-Budget-and-Fees>

Answers to questions

1. *Is there currently unmet demand for secondary pipeline capacity? If not, under what circumstances and over what time frame could there be increased demand?*

Stanwell supports measures to increase secondary pipeline capacity trading while respecting the property rights of existing capacity holders. The current arrangements do not prohibit secondary pipeline capacity trading but make it time consuming and difficult to execute. Stanwell has facilitated a number of bi-lateral arrangements equivalent to capacity trades and is not aware of unmet demand for commercially priced secondary pipeline capacity.

2. *In your experience, to what extent are search and transaction costs a barrier to secondary capacity trading? Would the information proposed in the rule change request reduce these costs?*

In Stanwell's experience search costs are not a barrier to secondary capacity trading; rather the barriers are transaction costs associated with bespoke agreements. The rule change proposals for the BB to publish:

- three year outlooks of uncontracted capacity,
- contact details of contracted shippers, and
- a copy of data published on the pipeline operators secondary trading platforms,

are unlikely to reduce search and transactions costs. This information is already generally known and available to market participants. However, the cost of providing and publishing this information seems likely to be small therefore Stanwell supports this change.

The proposal to publish detailed facility data including pipeline and facility receipt and delivery points would reduce the barriers to secondary capacity trading. Stanwell supports this proposal.

5. *Is the new role proposed for AEMO an appropriate mechanism for monitoring compliance with Bulletin Board registration and reporting requirements? Is proposed sub-rule (9) too prohibitive?*

As stated earlier, Stanwell supports increased monitoring of compliance with BB registration and reporting requirements. If disaggregated flow data by receipt and delivery point for each gas day will assist AEMO in fulfilling this requirement then Stanwell supports the proposal. However as stated earlier, it appears as though AEMO lacks the resources or power to ensure compliance with the current information provisions to the BB. It is not clear that extra data will lead to better compliance of the existing information provisions.

Proposed sub-rule (9) states that AEMO is only authorised to use the disaggregated flow data for the purpose of its BB monitoring and compliance. This proposed sub-rule is too prohibitive. AEMO should be able to use this data for its planning and forecasting activities. However the data should not be published at a disaggregated level in their planning and forecasting documents.

6. *Is the proposed granularity sufficient to address the issues raised by the rule change request and summarised in section 3.1 of this paper?*

The proposed granularity is appropriate apart from the frequency of provision of disaggregated data (see answer to next question).

7. *Do you have any concerns regarding the data resolution, reporting frequency and outlook periods? Does the proposed rule contain a sufficient level of detail on data granularity?*

Stanwell is unsure why the disaggregated gas flow data is only provided to AEMO on a monthly basis. If this data were necessary for compliance purposes it seems to follow that the data would be required more frequently than monthly.

12. *Having regard to the scope of the AEMC's more preferable rule making power, are there any other information gaps or potential solutions that should be considering during this rule change process?*

As discussed earlier, Stanwell understands that there are several pipelines and storage facilities that meet the criteria for registration as BB facilities but which have not been registered. Stanwell suggests the AEMC initiate a comprehensive audit of all pipelines, production and storage facilities to ensure that all facilities are compliant with their registration obligations. In addition, any important facilities which do not have an obligation to register, but which AEMO has right to register should be registered. The audit would also reveal whether the rules are sufficiently clear on an operator's obligations and would also reveal whether the rules inadvertently allow exemptions to important facilities. Stanwell's intent in making this suggestion is to enhance transparency and therefore support the development of the gas market.

13. *How would more additional information on storage facilities be useful to you?*

Stanwell supports the AEMC's proposal for BB storage facilities to report:

- Actual volume of gas held in the storage facility for each gas day
- Aggregated injections and withdrawals nominations for the current gas day and seven day forecast
- 12 month outlook of uncontracted capacity
- Medium term capacity outlook

Such information would provide a more comprehensive picture of market conditions, allowing for more informed decision making.

14. *Would reporting by storage facilities that are currently covered by the exemption criteria result in the provision of useful information?*

Stanwell does not consider that storage facilities connected to a BB pipeline should be deemed to be a BB facility if they are used solely as part of a production facility. If they are used solely as part of a BB registered production facility, information on their injections, capacity etc is unlikely to be very helpful to market participants.

The AEMC may consider that this provision will capture the Moomba Gas Storage facility which is currently not registered as BB facility but which connects to a BB pipeline. It is Stanwell's understanding that AEMO already has the right to register this facility in lieu of the

operator: the facility is connected to a BB Pipeline, exceeds the threshold name capacity and is capable of delivering gas independently of the Moomba Gas Facility².

15. What has been your experience with providing or using the medium term capacity outlook data since the National Gas Bulletin Board Capacity Outlooks rule came into effect in January 2015?

The medium term capacity outlook data has been very difficult to use. As discussed by the AEMC, the data is provided in a different format for each pipeliner. Some information is also in PDF format. Both of these characteristics make it very difficult for participants to conduct capacity analysis.

16. Would a centralised medium term capacity outlook for all BB facilities be useful to you?

Yes this would be very useful.

17. Would more information on linepack be useful for market participants and lead to more efficient decisions and response to events?

Stanwell is not convinced that additional linepack data is required. The current green, amber and red flag system appears appropriate. This information could be introduced to the BB in future once higher priority additional information has been published.

19. Is there value in this information being published? To what extent are supply nominations complementary to information currently available on the Bulletin Board?

While this information would be helpful, Stanwell considers it a low priority issue.

22. How much time is reasonable for participants to transition to providing: uncontracted capacity information, shippers' contact details, data from secondary capacity trading platforms and additional gas flow data?

Stanwell agrees that this information is already known and collected by relevant market participants. Accordingly, Stanwell supports a minimal transition time to provide this information.

² Update Gas Supplies from Moomba Plant, Santos, 4 Jan 2004,
<http://www.santos.com/Archive/NewsDetail.aspx?p=121&id=431>

23. What transitional arrangements would be appropriate for the provision of the information categories discussed in section 5.2?

Stanwell agrees what the information categories discussed in section 5.2 potentially require more significant change on the part of reporting entities. However the medium term capacity outlook proposal appears relatively less complex. Accordingly, Stanwell suggests the following implementation times:

- Storage facilities - 2 years
- Medium term capacity outlook - 1 year
- Linepack - 2 years (if required)
- Supply nomination for production facilities - 2 years (if required)

Thank you for your consideration of Stanwell's response to the Consultation Paper. If you would like to discuss any aspect of this submission, please contact Jennifer Tarr on 07 3228 4546.

Regards

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