

12 August 2015

Mr John Pierce
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Dear Mr Pierce

Enhanced Information for Gas Transmission Pipeline Capacity Trading Consultation Paper

AEMO welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Consultation Paper on Enhanced Information for Gas Transmission Pipeline Capacity Trading.

AEMO values the role of the Gas Bulletin Board (GBB) in supporting efficient gas markets through the provision of gas market information. AEMO redeveloped the GBB in 2014, at the request of the Council of Australian Governments (COAG) Energy Council (the Council), aimed at improving its useability and functionality. As a public source of transparent information about gas markets, AEMO welcomes continued refinement to the GBB's information and reporting framework to complement these recent improvements to the website.

In AEMO's view the above changes should be:

- consistent with the Council's gas market vision;
- framed around clear objectives for the GBB; and
- implemented through a coordinated set of IT system changes.

AEMO views the AEMC's East Coast Wholesale Gas Market and Pipeline Frameworks Review as a timely and appropriate avenue through which to determine a holistic developmental path for the GBB.

Capacity trading

The Rule change will be particularly valuable where it can facilitate secondary capacity trade and, in turn, more efficient gas markets. The changing gas market would benefit from information to support secondary capacity trading, enabling the more efficient delivery of gas to where it is most valued.

Implementation of system changes

As the GBB operator, AEMO will implement IT system changes to the GBB resulting from the Rule Change. These system changes will require AEMO to carry out significant IT development work. Under current cost-recovery arrangements, the costs of this will be passed onto shippers.

AEMO has a strong preference to implement these changes through one process rather than through individual changes. A coordinated implementation process would be more efficient and cost-effective, while enabling users of the GBB and providers of GBB data to adjust their business and IT systems simultaneously.

Coverage and reporting framework

Production and demand zones determine the reporting requirements for the GBB. Industry consultation in early 2014, to inform the scope of GBB redevelopment, indicated that current GBB zones (which were established in 2008 with the inception of the GBB) do not best reflect the current and changing dynamics of the gas market.

AEMO supports a review of information coverage more broadly, including consideration of options outside the current regulatory framework, through the AEMC Review.

Monitoring and compliance function

The Rule change recommends a new function for AEMO, to monitor and review the capacity of BB transmission pipelines and trends in demand for gas into and out of the system. The Consultation Paper states that this could “enable AEMO to effectively manage the operation of facilitated wholesale markets and inform its planning and forecasting processes”.

The additional data would improve the ability to cross-check GBB data to determine whether participants have submitted incorrect data, failed to submit data or failed to register a facility. The drafting, however, suggests that AEMO would not be able to use the flow data for anything other than the proposed BB monitoring and compliance function (rule 174A(9)). This would not appear to achieve the stated objective of the Rule change. It is also inconsistent with AEMO’s information gathering powers under the National Gas Law, which permit AEMO to use information gathered for other designated functions (including confidential information) for any other AEMO function. AEMO’s protected information regime would apply to restrict disclosure of any confidential information.

As additional operational costs would arise from processing the new data, the costs could outweigh the benefits unless the data can be used for AEMO’s planning and forecasting functions. If the data is only to be used for compliance monitoring, in AEMO’s view that function is more appropriately performed by the Australian Energy Regulator. In that case it would be preferable for the data to be provided directly to the AER.

Storage

AEMO supports the AEMC’s suggestion to include inventory, aggregated injections and withdrawals, 12-month outlook for uncontracted capacity and a more detailed medium-term capacity outlook on the basis that more dynamic information about storage can better inform short-term trading decisions.

Registration

Coverage of storage facilities is closely linked to registration arrangements. AEMO would also welcome a review of the GBB registration framework as part of the AEMC Review. Such a review should consider how best means of defining and capturing all facilities whose information is intended to be included on the GBB. Participants currently register at the entity level, with no clear responsibility to provide AEMO with details of additional facilities as they are constructed or acquired. AEMO considers that there is currently a lack of clarity in the facility definitions and registration obligations that may impede accurate and useful reporting of information on the GBB.

Linepack

Further information about linepack would be useful to the market, as an indicator of short-term system adequacy, and would enable participants to better manage their risks. Beginning-of-day linepack information could enable improved management of short-term positions and inform intra-day balancing. Enhanced linepack information could be provided for the whole pipeline or zone by zone.

Medium-term capacity outlook

AEMO welcomes the recommendation for medium-term capacity outlook information to be provided to AEMO in an automated and standardised format. As noted by the AEMC, this would reduce the administrative burden on AEMO and enable publication of a more consistent and useful set of medium-term capacity information.

AEMO looks forward to engaging further with you during the course of this Rule change. If you would like to discuss the contents of this submission further, please do not hesitate to contact Andrew Mann on 03 9609 8833.

Yours sincerely,



Peter Geers

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