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Via online submission

13 August 2015

Dear Owen

**GRC0033: National Gas Amendment (Enhanced Information for Gas Transmission Pipeline Capacity Trading) Rule 2015**

Jemena welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) consultation paper on the National Gas Amendment (Enhanced Information for Gas Transmission Pipeline Capacity Trading) Rule 2015 (**the Paper**).

We are broadly supportive of the information requirements proposed by the Council of Australian Governments (**COAG**) Energy Council in its National Gas Rule Change Request and Proposal (**rule change request**). The proposed measures represent generally low-cost information provision requirements which should assist market participants make better-informed decisions.

This submission sets out our comments in relation to specific issues raised in the Paper and to support the implementation of the measures set out in the rule change request. We have also provided a confidential attachment to this letter which sets out the estimated establishment and ongoing costs to Jemena of the proposed information requirements.

Jemena has contributed to and supports the Australian Pipelines and Gas Association's (**APGA**) submission in response to the Paper.

Jemena owns significant gas transportation infrastructure across the eastern gas market, including the Eastern Gas Pipeline (**EGP**) and Queensland Gas Pipeline (**QGP**). We also own the largest gas distribution network in Australia, distributing gas to over 1.2 million customers in NSW, and are therefore firmly committed to ensuring that gas remains a competitive fuel of choice for all of our customers.

We recognise the important role that the efficient operation and use of, and investment in, the eastern Australian gas market plays in maintaining the competitiveness of gas as our market undergoes significant structural changes. We welcome the AEMC employing a coordinated approach to both incremental and broader strategic reforms in the context of the East Coast Wholesale Gas Market and Pipeline Frameworks Review.



We consider that the scope creep in some aspects of this rule change request beyond capacity trading—for example, the inclusion of information requirements designed to facilitate a new bulletin board (BB) compliance monitoring function for the Australian Energy Market Operator (AEMO)—reinforces the need for the strategic direction of information provision to be carefully considered during Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review.

To help ensure the efficacy of BB usability and information improvements and that market reform priorities are appropriately focussed, Jemena requests the periodic (for example, monthly) publication by AEMO of usage statistics for each type of information provided on the BB. This will assist the AEMC in assessing the likely benefits (and the distribution of these benefits) of the proposed information requirements contained in the rule change request as well as inform work on the broader strategic direction of information provision.

We have set out responses to key issues raised in the Paper in the sections below.

### **Barriers to capacity trading**

Jemena has proactively taken steps to reduce potential barriers faced by market participants wishing to trade capacity by implementing a capacity trading platform for the QGP.<sup>1</sup> This service allows participants wishing to buy or sell secondary capacity to list bids and offers on our website (reducing search time and costs) and to trade using standard terms and conditions (reducing transaction time and costs). However, despite us proactively approaching parties to inform them about this service, interest from our current and potential shippers has been low. We consider that this is likely because parties are comfortable with continuing to utilise bilateral secondary capacity trading arrangements.

### **Proposed information requirements**

We have provided commentary on each of the proposed changes to information provision requirements contained in the rule change request below.

#### *Uncontracted primary capacity outlook – 36 months*

As noted during the COAG Energy Council's consultation process held to inform the development of the rule change request, Jemena is broadly supportive of the publication of an uncontracted primary capacity outlook for pipelines.

With regards to the specific requirements of information to be reported, we note that at times, firm capacity may be subject to an option (sometimes contained in a gas transportation agreement) or be under offer from a party. For the purposes of an uncontracted primary capacity outlook, we would report such capacity as unavailable, as it would not be available for sale by the pipeline operator as primary capacity<sup>2</sup> to other market participants.

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<sup>1</sup> The service can be accessed at <http://jemena.com.au/industry/pipelines/capacity-trading>. We are currently working to make this service available on the EGP by the end of 2015.

<sup>2</sup> Consistent with the definition of 'uncontracted primary pipeline capacity' in the proposed amendments to Rule 141, contained in Appendix A of the rule change request.



We also note that nameplate (and available) capacity can vary between each combination of delivery and receipt points on a pipeline. We consider it would be useful to market participants if there was the ability for pipeline operators to post a notice alongside the capacity outlook information that explained this fact and provided contact details for interested market participants to obtain detailed information tailored to their individual requirements directly from the pipeline operator.

During the COAG Energy Council's consultation process we considered that a 12 month uncontracted primary capacity outlook would be appropriate. We question the need for a 36 month primary capacity outlook given that the consultation process used to inform the development of the rule change request considered the appropriateness of a 12 month outlook.

#### *Shipper contact details*

We are able to provide this information to AEMO at the frequency specified at minimal cost, however we note that shippers are likely better placed to provide this information to ensure it remains accurate and reflects changes in personnel or contact details. Pipelines may be able to play a collection and aggregation role in providing this information to AEMO, however ultimately we are not in a position to validate whether or not any person is the most appropriate contact for capacity trading inquiries directed to each shipper (as this may be a different person to the shipper's authorised representative under their contact with us).

#### *Secondary capacity trade platform data*

As flagged in our response to the AEMC's Stage 1 draft report of the East Coast Wholesale Gas Market and Pipeline Frameworks Review, we support this requirement. We note that, as reflected in the definition of 'secondary trade data' contained in the proposed amendments to Rule 141,<sup>3</sup> this requirement would allow the centralised publication only of data already provided by individual pipeline operators' capacity trading platforms. Jemena does not have information about bilateral trades which occur without using our platform.

#### *Detailed facility data & gas flow data*

We are broadly supportive of and do not wish to raise any specific issues in relation to these proposed requirements.

#### **Other information gaps**

We acknowledge that there are other forms of information that have been raised by some stakeholders as potentially useful but which were not included in the rule change request (noting also that the COAG Energy Council consulted on some of these information requirements in developing the rule change request). We acknowledge that the AEMC is considering potential additional information gaps not contained in the rule change request, consistent with the actions outlined following Stage 1 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review. We have provided comments on key issues for Jemena below.

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<sup>3</sup> Contained in Appendix A of the rule change request.



### *Medium term capacity outlook*

Jemena has provided notices to AEMO of maintenance activities that are expected to impact pipeline capacity since this requirement commenced at the beginning of 2015. Such notices are currently provided in the form of a single-page letter which is emailed to AEMO at the time we provide it to our shippers.

We support the APGA's proposed low-cost initiative of pipeline operators providing maintenance notice information to AEMO in a standardised format and on a consistent basis on each date we issue a maintenance notice to our shippers. These notices would state the following in a standardised tabular format:

- the name of the BB facility
- the start and end dates of the maintenance activity
- a 'traffic light' rating to indicate the expected impact of the maintenance activity on facility capacity
- a free text field for the inclusion of a description of the maintenance activity.

In order to best improve the usability of BB information, these 'traffic light' indicators could be broadly aligned with the current linepack adequacy flag definitions for BB pipelines (other than those for the Victorian declared transmission system).

This standardised format and consistent basis and should allow AEMO to easily publish this information in a standardised format on the BB, including potentially in a colour-coded calendar or graph format. We consider it is also likely to be beneficial to extend the requirement to issue such notices in a standardised format to cover BB production facility operators and BB storage providers.

We question the materiality of AEMO's apparent resourcing constraints in relation to its inability to 'compile this information into a centralised medium term capacity outlook for all BB facilities,'<sup>4</sup> particularly given this requirement only took effect earlier this year. Accordingly, we consider a low-cost approach is the most appropriate way of addressing any concerns in this area.

### *Linepack*

We do not consider that any clear case has been made for publication of enhanced or additional linepack information. Although the Paper notes that some stakeholders have called for this information during a number of market reviews, none of these reviews has concluded that a material need for such information exists.

Linepack information is used as an indicator of the 'health' of a pipeline system—to date, no convincing evidence has been presented to suggest that the current flag system is inadequate in serving this purpose. Linepack is not a proxy for or indicative of the amount of capacity available in a pipeline. We consider that the publication of numerical linepack data would therefore create a risk that market participants may misinterpret this information.

### **Cost recovery**

Given any benefits of the proposed information requirements are likely to flow to market participants other than pipeline operators, it is appropriate that pipeline

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<sup>4</sup> AEMC, Enhanced Information for Gas Transmission Pipeline Capacity Trading, Consultation Paper, 16 July 2015, p. 16.

operators are able to recover the costs they incur in providing this information to AEMO. As noted above, some of this information could be provided to AEMO by other market participants (for example, shippers), however under the rule change request pipeline operators would essentially act as aggregators of this information before providing it to AEMO. We therefore consider that the definition of 'aggregation and information services' in the context of Rule 197 should be broadened to cover any new information requirements on pipeline operators resulting from the rule change request.

### **Transitional arrangements**

We note there will be a number of detailed issues around the exact nature of information and the manner in which it is provided to be worked through following a final determination by the AEMC. AEMO should consult on these issues as it develops updated BB procedures and a build pack to reflect any changes in the requirements. We consider it would be appropriate to allow pipeline operators a transition period of six months following the release of a final build pack by AEMO to make the necessary changes to their own internal systems to provide additional information.

We would welcome continued engagement with the AEMC on these issues. Please contact Benjy Lee, Manager Energy Policy, on (03) 8544 9369 or via email [benjy.lee@jemena.com.au](mailto:benjy.lee@jemena.com.au) should you wish to discuss these matters further.

Yours sincerely

A handwritten signature in black ink, appearing to be 'R Boesten', with a long horizontal flourish extending to the right.

**Robert Boesten**  
Acting General Manager – Pipelines Commercial