HSBC Building
Level 19
580 George Street
Sydney NSW 2000
PO Box R41
Royal Exchange NSW 1225

Phone 61 2 9693 0000
Fax 61 2 9693 0093
www.apa.com.au

APA Group

Australian Pipeline Ltd
ACN 091 344 704

Australian Pipeline Trust
ARSN 091 678 778

APT Investment Trust
ARSN 115 585 441

29 May 2015

Mr John Pierce
Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce

APA Group (APA) welcomes the opportunity to comment on the Australian Energy Market Commission (AEMC) review into the East Coast Wholesale Gas Market and Pipeline Frameworks Stage 1 Draft Report.

APA strongly supports the review process, and looks forward to its continued involvement in Stage 2 of the East Coast Review, as well as the detailed review into the operation of the Declared Wholesale Gas Market.

APA would be pleased to assist the AEMC in its upcoming detailed analysis of the east coast gas market and the Declared Wholesale Gas Market. Please call Alexandra Curran on 02 9275 0020, if you would like any further information.

Yours sincerely

Peter Bolding
General Manager Regulatory & Strategy

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East Coast Wholesale Gas Market and Pipeline Frameworks Review

APA Group submission responding to stage 1 draft report

1. Summary

APA Group (APA) welcomes the opportunity to comment on the Australian Energy Market Commission (AEMC) East Coast Wholesale Gas Market and Pipeline Frameworks Review Stage 1 Draft Report.

Transmission pipeline frameworks

APA supports the development of a secondary market for pipeline capacity. Along with supporting the further growth of the gas market as a whole, a strong secondary capacity trading market has the potential to increase pipeline throughput, as well as support new investment in pipeline capacity by giving shippers an avenue through which they can trade out of existing contracted positions. APA recognises that there has not been significant public trading of pipeline capacity to date. It would appear, however, that upcoming changes to the market, in particular the advent of significant new flexible demand from the new LNG producers, have the potential to stimulate this market.

APA strongly believes that market-driven solutions, operating alongside the expected new demand for traded capacity driven by the LNG industry, should be the preferred solution for the continued development of the market.

APA agrees with the AEMC that the ability to trade secondary capacity is an important component of a well-functioning gas market. It will be important for the AEMC to further investigate the identified list of potential barriers to the secondary capacity market, to determine which may be limiting the liquidity of the market, and therefore warrant policy or regulatory attention. Detailed analysis of this question will be critical to ensuring that any market or regulatory intervention to stimulate capacity trading is targeted, proportionate, and, most importantly, likely to work.

The AEMC Stage 1 Draft Report recognises the significant investment that has occurred in the transmission sector in the last 15 years. APA considers that this investment has largely been supported by bilateral contracting arrangements operating alongside the access regime. Any consideration of interventions in transmission pipeline frameworks to support secondary capacity trading or other market outcomes must be cognisant of the drivers of investment in the primary market for capacity. These drivers are closely linked to the nature of infrastructure investment (long-lived sunk assets), as well as the needs of contracting shippers to secure access to capacity for their own commercial needs.

APA is concerned that the AEMC appears to be looking to the access regime for primary capacity to enact changes in the secondary capacity trading market. APA does not believe that the primary market's access regime is the appropriate location for such intervention, as the access regime regulates the relationship between the pipeliner and the shipper, not

the relationship between shippers, which is the locus of the secondary capacity trading market.

In respect of the DWGM, the AEMC states that it intends to further investigate whether the regulatory arrangements and market carriage model are providing for an appropriate allocation of risks and timely and efficient investment in the Victorian market. APA supports this work, and considers that closely looking at the interaction between economic regulation and the market carriage framework, as well as the role of AEMO in the market, is critical to this analysis.

Short Term Trading Markets

APA agrees with the AEMC's analysis that the STTM design is a highly complex and costly design for the outcomes it delivers, and that the gas supply hub market model has more potential to develop and stimulate gas trading than the STTM model.

APA supports in principle the alignment of market arrangements, including gas day start times, prudential requirements and market parameters. In respect of alignment of gas day start times, this would involve widespread system changes for APA, as well as administrative and legal changes, for which APA will incur costs that it would expect to pass through to customers.

APA does not consider that this should be considered a material barrier to effecting a change to a standard gas day, if corresponding benefits from such a change can be identified. An important piece of work should therefore be to seek to quantify the likely benefits and, if positive, to determine an appropriate standard time and a timetable for implementation.

Declared Wholesale Gas Market

APA agrees with the AEMC's analysis that the DWGM design is a highly complex and costly design for the outcomes it delivers. Due to the complexity of the market, APA agrees that there are very few 'quick wins' to be gained through redesign of the DWGM. APA therefore supports a more in depth analysis of the DWGM and its future role and structure as part of the stage 2 report.

Gas Supply Hub

APA supports the introduction and development of the Wallumbilla Gas Supply Hub as a low cost and effective market for the voluntary trade of gas amongst participants. Physical constraints at the Wallumbilla compound mean that the Wallumbilla Gas Supply Hub currently operates across three trading locations. APA sees value in developing services to integrate these locations to provide for a single traded product.

APA has proposed a model whereby it provides a new 'hub service' to the market that would facilitate trades across the current three trading nodes and integrate these nodes for trading purposes into a single location. The service would operate as a 'safety net' service, with shippers able to use their own contracted hub services, or to purchase those services through trade, as an alternative to using the hub service. The hub service would be firm on the day, and offered at a set, up front price that is published on the hub trading platform.

APA believes that this provides a simple, low cost, market-based solution to increasing the liquidity of trade at Wallumbilla, and should be preferred over options currently being discussed by AEMO that involve high levels of regulation and smearing of costs for hub services across existing gas flows at Wallumbilla. APA believes that future demand for the

hub service will also provide clear investment signals for the installation of additional capacity at the site, which will facilitate the growth of the market as a whole.

Information provision

APA supports the AEMC recommendation to enhance the value of the Bulletin Board by making it a more comprehensive source of available information on the gas market. However, in seeking to make the Bulletin Board a comprehensive source, consideration must be given to cost. The supply of information is not costless, and careful consideration must be given to the types of decisions which market participants might make, and the types of information which will facilitate the making of those decisions.

A key focus for information provision should be to ensure that the Bulletin Board provides the information to the market that it was originally intended to provide. This will require review of current definitions of demand and production zones, as well as the potential introduction of the new 'transit zone' to show flows of gas through points of pipeline interconnection.

By providing a clear and accurate picture of the daily gas market, the Bulletin Board would prove to be a very powerful tool for participants to understand and participate in the east coast gas market. In this context, it is difficult to see how the costs of some of the incremental additional information requirements canvassed by the AEMC in its Stage 1 Draft Report would deliver a net benefit to the market, as has been the conclusion in a number of previous investigations into areas of increased information provision.

Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
COAG	Council of Australian Governments
DWGM	Declared Wholesale Gas Market
GSH	Gas Supply Hub
GTA	Gas Transportation Agreement
LNG	Liquefied Natural Gas
MSP	Moomba Sydney Pipeline
PC	Productivity Commission
RBP	Roma Brisbane Pipeline
STTM	Short Term Trading Market
SWQP	South West Queensland Pipeline

2. Transmission pipeline frameworks

2.1. Importance of capacity trading for pipeline investment and throughput

APA supports the development of a secondary market for pipeline capacity. A strong secondary capacity trading market has the potential to increase pipeline throughput, which is in the interest of the infrastructure investor. Further, a strong market for secondary capacity has the potential to support new investment in pipeline capacity by giving shippers an avenue through which they can trade out of existing contracted positions, making them more likely to enter into the types of long term arrangements that facilitate investment.

To support this market, APA has undertaken a number of steps, most importantly through the development of its facilitated capacity trading service and information platform, but also through its support of the Wallumbilla Gas Supply Hub, the redevelopment of the Bulletin Board, and the development of standardised contractual terms for shippers.

APA recognises that there has not been significant public trading of pipeline capacity to date. It would appear, however, that upcoming changes to the market, in particular the advent of significant new flexible demand from the new LNG producers, have the potential to stimulate this market.

APA strongly believes that market-driven solutions, operating alongside the expected new demand for traded capacity, should be the preferred solution for the continued development of the market.

In this context, it is important for the AEMC to look closely at the current, and likely future demand for capacity trading and for investment in new capacity, before concluding that there is a case for further market intervention. It is also important to look at the nature of the new demands being placed on the market by the LNG providers, much of which relates to short term drivers, as discussed in the following section.

2.2. New demands on the market

The size of the LNG export sector compared to east coast domestic demand has been well canvassed in many recent reports on the sector. The implications of an LNG system or plant outage have also been discussed at length, however there remains a lack of clarity as to the likely demands such an event may place on the domestic market.

Factors such as the turn down rate for gas production, LNG pipeline spare capacity, and interconnections between the three LNG providers, are all relevant to understanding the degree to which the domestic market may be called on to absorb excess gas. There is very little information available, however, as to what the domestic market needs to plan for.

What is clear is that there is a new demand for a high degree of flexibility and optionality in the case of an LNG plant outage, and that any event is likely to be significantly larger than the type of contingencies that the gas market has needed to respond to in the past. It is important to note, however that this type of very short term demand is not the type of demand that can underpin efficient investments in increased pipeline capacity, nor do the LNG providers appear willing to make these investments.

As a result, failure to accommodate such demand spikes should not necessarily be viewed as a market failure, but may in fact be an efficient outcome where the costs of having the capability to meet short term demand spikes far exceed the value in installing that capacity. It is therefore important to ask whether there are some demands created under the changing market structure where it is neither efficient nor prudent for the gas market as a whole to meet.

APA considers that investigation of this question will be an important part of stage 2 of the AEMC review.

2.3. Allocation of pipeline capacity

The AEMC Stage 1 Draft Report discusses recent developments in the transmission sector, in particular the significant new investments in additional capacity, and in measures to increase gas market flexibility, such as in bi-directional pipeline flows. The AEMC further discusses the importance of the scope to trade pipeline capacity in a well-functioning market.[1]

APA agrees with the AEMC that the ability to trade secondary capacity is an important component of a well-functioning gas market. It will be important for the AEMC to further investigate the identified list of potential barriers to the secondary capacity market, to determine which may be limiting the liquidity of the market, and therefore warrant policy or regulatory attention. Detailed analysis of this question will be critical to ensuring that any market or regulatory intervention to stimulate capacity trading is targeted, proportionate, and, most importantly, likely to work.

In looking at potential factors that may impact the liquidity of the pipeline capacity market, it is important to note that some may relate to the underlying nature of the east coast pipeline capacity market. These include a predominance of single pipeline industrial shippers with little interest or demand for trading capacity, as they have long term needs for firm capacity met under existing contracts. Other barriers affecting liquidity may be administrative in nature and could be addressed through market-based responses once they are identified. In both of these situations, policy or regulatory intervention is unlikely to be an efficient policy response.

In looking at the drivers for the secondary capacity trading market, APA believes that the AEMC should give further consideration to the following factors:

- the nature of the traded secondary capacity service (as opposed to the service provided through primary contracts), and the degree to which this service can already be traded;
- the current actual transaction costs or other factors involved in executing a capacity trade;
- the current market for trading in capacity, and potential reasons why there are limited trades, including whether there is a significant current unmet demand for capacity trading;
- whether those that may express a wish to purchase pipeline capacity are actively seeking capacity in the current market, or whether their demand for traded capacity relates to a future period;

[1] Australian Energy Market Commission (AEMC) 2015, *East Coast Wholesale Gas Market and Pipeline Frameworks Review: Stage 1 Draft Report*, May, p 57

- the likely scope of future demand for capacity trading, and when that demand may arise, in particular whether it is likely to arise at peak times when capacity is likely to be utilised by other contracted parties (that is, there is physical congestion and therefore limited unutilised capacity to trade);
- whether shippers are holding on to capacity for commercial reasons, as suggested by the Productivity Commission, for example because of the option value of future capacity as a risk management tool in an uncertain demand environment[2], and in that respect there is not a market failure but an efficient response to market circumstances; and
- whether imminent changes to the market with the start-up of the remaining two LNG facilities, will in themselves provide stimulus to the capacity trading market by potentially placing a higher value on existing capacity that may stimulate trade.

Many of these matters were discussed in the NERA cost benefit analysis into policy options to facilitate enhanced gas transmission capacity trading[3], and the Productivity Commission Research Paper examining barriers to more efficient gas markets[4].

APA would anticipate that exploring and understanding these matters in respect of secondary capacity trading would be a key part of stage 2 of the AEMC's review process. This work is an important step before searching for policy or regulatory solutions, which appears to be the current focus of the AEMC's list of areas for further work as part of stage 2.

2.4. Timely and efficient investment in pipelines

2.4.1. Firm capacity rights are critical for investment

The AEMC Stage 1 Draft Report recognises the significant investment that has occurred in the transmission sector in the last 15 years, and how this investment has facilitated inter-basin competition.[5] The report recognises that much of this investment has been made possible by bilateral contracting arrangements.[6]

APA notes that this has occurred within a supportive regulatory regime that both provides for third party access to pipeline infrastructure, and recognises the primacy of contract which has allowed for the commercial development of new capacity through bilateral arrangements. While this regulation has its drawbacks (discussed in some detail in various Productivity Commission reports into the national and gas access regimes), the underlying structure of the regulatory regime applied to contract carriage pipelines draws an appropriate balance between access and investment through its basis in contractual arrangements.

The AEMC Stage 1 Draft Report makes a key link between the ability of parties to contract for firm capacity rights, and the incentives for both pipeliners and shippers to invest in

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[2] Productivity Commission 2015, *Examining Barriers to More Efficient Gas Markets, Productivity Commission Research Paper*, March, p 113
[3] NERA Economic Consulting 2013, *Analysis of Policy Options to Facilitate Enhanced Gas Transmission Capacity Trading: A Report for the Standing Council on Energy and Resources*, 11 November, p vi
[4] PC 2015, *Examining Barriers to More Efficient Gas Markets,* p 120
[5] AEMC 2015, Stage 1 Draft Report, p 57
[6] AEMC 2015, Stage 1 Draft Report, p 61

infrastructure and plant that relies on those firm rights.[7] This development underpins market development and economic growth.

In the same vein, the Stage 1 Draft Report further links the problems with investment in the DWGM with the lack of firm contractual rights for capacity, and the resulting poor incentives for both pipeliners and shippers to invest in commercial capacity.[8] Instead, the regulatory regime replaces commercial outcomes for market-carriage pipelines, bringing with it the associated well recognised problems in respect of timely and efficient investment.[9]

These observations suggest that any consideration of interventions in transmission pipeline frameworks to support secondary capacity trading or other market outcomes must be cognisant of the drivers of investment in the primary market for capacity (that is capacity from the infrastructure owner or operator), which are closely linked to the nature of infrastructure investment (long-lived sunk assets), as well as the needs of contracting shippers to secure access to capacity for their own commercial needs. The implication is that any intervention that weakens the link between firm capacity and investment (as happens under market or common carriage, oversell and buyback regimes, and some injection/withdrawal markets) is likely to undermine future investment in primary capacity.

APA anticipates that this will be a key issue for consideration by the AEMC in stage 2 of the review process.

2.4.2. Investigation of incentives for investment in the market-carriage framework

The AEMC states that it intends to further investigate whether the regulatory arrangements and market carriage model are providing for an appropriate allocation of risks and timely and efficient investment in the Victorian market.

APA supports this work, and considers that closely looking at the interaction between economic regulation and the market carriage framework is critical to this analysis. In particular, APA considers that some elements of the economic regulatory regime may not be well suited to application to a market carriage framework and that these have a key influence on efficient market outcomes. These include incentives to invest in capacity to increase competition in the market, as well as risks associated with pipeline investment where there are no firm commitments to use that capacity.

APA further supports the AEMC investigating options to introduce some form of firm capacity rights into the market, however it cautions that there have been many attempts to achieve this in the past, all of which have been stymied by the degree of complexity such a mechanism would add to an already very complex market.

[7] AEMC 2015, Stage 1 Draft Report, p 46
[8] AEMC 2015, Stage 1 Draft Report, p 61
[9] PC 2015, *Examining Barriers to More Efficient Gas Markets,* p 119

2.5. Efficient trade and movement of gas between jurisdictions

2.5.1. Barriers to trade from the DWGM

APA supports further work as part of stage 2 of this review process, and the targeted review into the operation of the DWGM, into the remaining barriers to trading gas into and out of the DWGM. APA believes that these barriers arise largely as a result of AEMO's operation of the system, including:

- AEMO's perception of its role in maintaining security of supply in Victoria; and
- AEMO's application of system planning and security standards in determining the long and short term capacity of the Victorian system.

APA considers that these matters lead to material inefficiencies in the operation and planning of the DWGM. They have the effect of reducing the priority of flows out of the system both at the planning stage, and in the operation of the market, which creates real barriers to trading between the DWGM and interconnected pipelines. These could be addressed through clearer direction (and observance) as to AEMO's role as system operator, in particular in respect of security of supply and its relationship to efficient market investment and operation.

2.5.2. Operation of two carriage models

The AEMC discusses the two carriage models, including the perceived strengths and weaknesses of those models.

APA is concerned that the AEMC appears to have determined that the efficiency of the contract-carriage model can be gauged solely by the degree to which secondary capacity trading is available and utilised.[10]

APA does not believe that this is a balanced focus, as it places the allocation of capacity in the short term over long term capacity availability and allocation. It is the long term allocation – the investment decisions made by pipeline operators responding to the particular needs of long term users of gas and of transportation capacity – which creates the capacity which can then be reallocated via shorter term capacity trading. Capacity trading builds on contract carriage to enhance the short term efficiency of the gas market. If there is no capacity trading, the problem is not contract carriage. It is either that the current arrangements are inhibiting that trading, or that market participants do not see value in trading.

APA works with current and prospective shippers to ensure that the efficiency of any investment in new capacity is maximised. APA has recently formalised its processes in this regard through a commitment to undertake a public 'expressions of interest' process for new capacity wherever possible to ensure that any capacity expansion captures all available demand.

As an example, APA conducted a public expressions of interest process for expansions to the South West Queensland Pipeline in February 2015. APA is now working with those shippers that are interested in investing in new capacity to develop expansion projects that meet their needs.

[10] AEMC 2015, Stage 1 Draft Report, p 66

This process can allow smaller shippers to 'piggyback' off larger investments to gain a lower per GJ cost of new capacity. This is a non-discriminatory process and provides for the allocation of new firm capacity to those that value it.

2.6. Regulatory framework

2.6.1. Adaptability of the regulatory framework

APA agrees with the AEMC's conclusion that the access framework has worked for the last 18 years, and has been sufficiently flexible to deal with changing market conditions.[11]

As discussed in section 2.1 above, APA believes that this flexibility arises because the access regime, as it applies to contract-carriage pipelines, supports bilateral contracting arrangements, which allows market participants, rather than the regulator, to determine the scope and nature of the services that they require, and when they require them. This is a key feature missing from the regulatory regime and market arrangements applying under the market-carriage framework. The DWGM regime applies a one size fits all services approach, coupled with regulatory decision making over the timing and scope of investment, and has arguably not supported market flexibility and growth.

APA believes that the history of the access regime, and the fact that it has adapted to the significant changes to the market over the past 18 years brought about by interconnection, provides good guidance that it is capable of supporting further market development. Key features of the regime that will contribute to this flexibility include:

- Criteria based assessment of whether access regulation is warranted for particular assets, which allows the regulatory regime, and its application, to change over time with the development of the market;
- For full regulation pipelines, discretion for the regulator to determine the scope of services to be regulated (that is, the definition of reference services), to allow for different services to be included or excluded under direct price regulation as demand for different services changes; and
- Inclusion of access dispute provisions for full and light regulation pipelines, in the event of a material dispute between a pipeliner and an access seeker.

These provisions have allowed the access regime to evolve over time with the development of the market, and these features can reasonably be expected to continue to operate effectively in the future.

2.6.2. Capacity trading and access regulation

The gas access regime applies to the primary pipeline capacity market. Amongst other things, it ensures that shippers and prospective shippers have non-discriminatory access to pipeline capacity from the pipeliner, by setting reference terms and conditions (including tariffs) for access to services likely to be sought by a significant part of the market (that is, Reference Services).

APA is concerned that the AEMC appears to be looking to the access regime for primary capacity to enact changes in the secondary capacity trading market. APA does not believe

[11] AEMC 2015, *Stage 1 Draft Report*, p 70

that the primary market's access regime is the appropriate location for such intervention, as the access regime regulates the relationship between the pipeliner and the shipper, not the relationship between shippers, which is the locus of the secondary capacity trading market.

The access regime currently includes a number of provisions to ensure that the pipeliner, in its terms and conditions in respect of primary pipeline capacity, does not impose unreasonable barriers to capacity trade. There are also provisions to support information on available capacity. These provisions are as follows:

- Rule 105: Capacity trading requirements. Every access arrangement must provide for the trading of capacity;
  - By way of bare transfer, without the need to seek the service provider's consent;
  - By way of assignment or other mechanism, with the service provider's consent, which cannot be unreasonably withheld by the pipeliner;
- Rule 106: Change of receipt or delivery point by user. Every access arrangement must provide for the change of receipt or delivery point by user, consent for which cannot be unreasonably withheld by the pipeliner; and
- Rule 111: Public registers of spare capacity. A service provider must publish a register of spare capacity for every scheme pipeline that sets out:
  - Information about available spare capacity now and in the future;
  - Information provided to the service provider by a user on available unutilised contracted spare capacity.

APA publishes spare capacity registers for all Scheme pipelines on its website, and these registers are periodically updated to reflect changes in contracting arrangements. In addition, APA's standard Gas Transportation Agreement, which it uses as a basis for negotiations on all its pipelines (covered and uncovered) includes provisions in compliance with Rules 105 and 106. The form of these provisions has been approved by the AER as part of two separate access arrangement processes (for the Amadeus Gas Pipeline and the Roma Brisbane Pipeline), as being consistent with the requirements under the National Gas Rules. The standard GTA terms and conditions can be found on APA's capacity trading website.

APA considers that this regulatory approach, which ensures that the primary capacity access regime creates no barriers to the trade of capacity, is the appropriate level of regulation in the primary market to support secondary trade.

There are clear economic reasons why policy makers should prefer the development of a market-based secondary capacity trading market (that is the trade of capacity between shippers and other non-pipeliner market participants such as traders) over the forced regulatory provision of as available and interruptible services direct from the pipeliner.

The secondary trade of capacity delivers market benefits by providing shippers with the ability to trade out of a firm contractual position. This reduces the risks of entering into firm arrangements with pipeliners, which has the effect of preserving incentives for shippers to contract for these services with pipeliners. This lowers the risk of pipeline investment and therefore its costs, and increases incentives for investment.

These effects provide incentives for pipeliners to support capacity trading across all pipelines, regardless of coverage. This can be shown by the sector's continuing support for capacity trading, and the development of the facilitated capacity trading products by

APA and Jemena, which are intended to further decrease trading barriers and transaction costs, and stimulate the market.

3. Short Term Trading Markets

3.1. Future role of the STTM

APA agrees with the AEMC's analysis that the STTM design is a highly complex and costly design for the outcomes it delivers. While the STTM was designed to potentially deliver a number of outcomes in respect of the trade of gas, in practice these outcomes have not eventuated due to the limited scope for trade at demand centres. Because of this, the STTM's other role, which was to provide competitive gas balancing services, has emerged as its most prominent and effective contribution to gas market operation.

APA agrees with the AEMC's analysis that the gas supply hub market model has more potential to develop and stimulate gas trading than the STTM model, largely due to the volumes of gas involved and general proximity to multiple sources of gas production. Now that the Wallumbilla Gas Supply Hub is in place, there is value in considering whether the gas trading functions of existing facilitated markets (including the DWGM) should be replaced by the Wallumbilla Gas Supply Hub, or other similar hubs in other locations.

In respect of gas balancing, APA supports the proposals in the Stage 1 Draft Report to look at options to 'pare back' the STTM to provide gas balancing functions only.

APA strongly supports the establishment of a technical working group, led by the AEMC, to look at options in this regard. APA believes that work on an alternative STTM design is a key market development function that appropriately rests with the AEMC. In meantime, APA considers there is a strong case to look at options to roll-back the scope of the Brisbane STTM in the nearer term.

3.2. Alignment in gas markets

APA supports in principle the alignment of market arrangements, including gas day start times, prudential requirements and market parameters.

The alignment of gas day start times is the most relevant of these areas for APA, as it will involve both system and contractual changes to execute.

In respect of system changes, the main task will be to reset field flow computers. Flow computers are located at every metering site, and each are uploaded locally with a hard coded time and date (with no field adjustment for day light saving).

Changing to a standard time will require modification to the coding of each flow computer at over 200 sites across Victoria, Queensland and New South Wales, some with multiple meter runs. This will need to happen via a field site visit, with all computers ideally changed on a single changeover day, in order to minimise billing disruption. Depending on the approach, there may be scope to focus on a smaller (though still significant) number of flow computers on the changeover day to allow for accurate gross metering.

APA's initial estimates for the field work for this changeover process are in the order of $1-2 million, including the costs of site visits, some system or hardware changes, and project management.

There are further changes required to APA systems in relation to pipeline measurement reconciliation, including line pack calculations, particularly to take account of the change day. There will also need to be arrangements put in place to ensure that shippers retain access to appropriate daily capacity over the change day, which is likely to create a long day and a short day on a number of pipelines, which will impact shipper linepack

balances, daily variations and imbalances, and allocations. These costs will largely be commercial and legal costs, and will involve significant liaison and cooperation between pipeliners, shippers and other market participants.

To enact a single standard gas day across all APA's pipelines, APA would also need to vary its contracts with shippers to redefine the gas day, to the extent they are inconsistent with what is proposed. For existing contracts, APA would need to gain each shippers' agreement to amend the contracts to standardise the time. Given the broad support for this measure expressed through submissions, this agreement could be readily expected from most shippers.

These measures will involve considerable system changes, as well as administrative and legal workloads, for which APA will incur costs that it would expect to pass through to customers. APA does not consider that this should be considered a material barrier to effecting a change to a standard gas day, if corresponding benefits from such a change can be identified. An important piece of work should therefore be to seek to quantify the likely benefits and, if positive, to determine an appropriate standard time and a timetable for implementation.

APA considers that the standard time should be between 6am and 10am across all pipelines, given the important system support and other information requirements related to the end of gas day. APA does not see that there is a strong case for aligning the gas day to the electricity market, and considers that a 4am start would considerably increase costs for the market without a clear benefit.

4. Declared Wholesale Gas Market

4.1. Future role of the DWGM

APA agrees with the AEMC's analysis that the DWGM design is a highly complex and costly design for the outcomes it delivers. Due to the structure of the market and the dominance of Longford gas supply, effective gas trading is very limited within the DWGM, and the market operates primarily as a mechanism to allocate pipeline capacity and trade imbalances.

Due to the complexity of the market, APA agrees that there are very few 'quick wins' to be gained through redesign of the DWGM. APA therefore supports a more in depth analysis of the DWGM and its future role and structure as part of the stage 2 report.

APA notes suggestions in the transmission frameworks section of the Stage 1 Draft Report regarding options to introduce some form of transmission rights into the DWGM to address known investment issues. While APA is supportive of further investigation of this option, it also cautions against making the DWGM even more complex in an attempt to more closely align it with incentives for investment under the contract-carriage framework. The DWGM market algorithms are already extremely complex and AEMO have indicated in the past that the introduction of any further complexity could result in the failure of the Market Clearing Engine.

4.2. Alignment in gas markets

As noted above in relation to the STTM, APA supports in principle the alignment of market arrangements, including gas day start times, prudential requirements and market parameters. General advice on the system changes required to execute this change is set out in section 3.2 above.

Due to the nature of the DWGM, it is unlikely that contractual changes would be required, however AEMO and APA system changes may be more complex than for other markets/pipelines.

5. Gas Supply Hub

5.1. Further development of the Wallumbilla Gas Supply Hub

5.1.1. Physical limitations of Wallumbilla site

As set out in APA's earlier submission to this process, APA supports the introduction and development of the Wallumbilla Gas Supply Hub as a low cost and effective market for the voluntary trade of gas amongst participants.

Significant amounts of gas currently move through the Wallumbilla compound under existing contractual arrangements. This reflects the role of the Wallumbilla compound as a major point of gas transit, rather than gas production or use.

While the three major pipelines interconnecting at Wallumbilla are physically connected to some degree, there are varying capacity constraints in transferring gas across the Wallumbilla compound into other pipelines, arising from pressure differences between the pipelines, and the capacity of interconnecting pipework.

As a result of these constraints, the Wallumbilla Gas Supply Hub currently operates across three trading locations. This arguably reduces available liquidity at the hub, and APA sees value in developing services to integrate these locations to provide for a single traded product.

5.1.2. APA hub services model

APA has proposed a model whereby it provides a new 'hub service' to the market that would facilitate trades across the current three trading nodes and integrate these nodes for trading purposes into a single location. The service would operate as a 'safety net' service, with shippers able to use their own contracted hub services, or to purchase those services through trade, as an alternative to using the APA hub service. The hub service would be offered at a set, up front price that is published on the hub trading platform.

APA can provide the hub service on a firm day-ahead basis. The amount of day-ahead firm service available from APA will be related to the utilisation of existing hub service capacity by shippers with existing firm capacity rights. Notwithstanding the limited availability of the service, APA believes that it can provide a firm hub service at Wallumbilla on most days that would far exceed (that is, easily accommodate) the current trading levels at Wallumbilla.

APA believes that its hub services model, particularly accompanied by changes in AEMO systems where AEMO also physically matches trades at Wallumbilla delivery points to limit the amount of hub services required, is a simple, pragmatic, incremental and low cost market solution to support the development of the hub. APA believes that future demand for the hub service will also provide clear investment signals for the installation of additional capacity at the site, which will facilitate the growth of the market as a whole.

APA notes that alternatives to this model have been canvassed by AEMO and by the AEMC in its Stage 1 Draft Report. APA believes that these models, in particular AEMO's single trading market model and centralised hub services model, would involve very significant market and regulatory costs that are not proportional to the size of the Wallumbilla Gas Supply Hub, and its stage of development. APA further notes that AEMO's model would involve significant smearing of market costs through a compulsory

market model, which, similar to the STTM and DWGM, will impose additional costs on some participants without providing any benefit.

APA also does not believe that there is a case for economic regulation of hub services, as raised by the AEMC in its Stage 1 Draft Report. Currently, redirection and compression services are provided at Wallumbilla under contract, and APA is proposing to provide these services on similar terms on an 'As Available' basis to all market participants. It is unclear what benefits economic regulation would deliver in this circumstance, where non-discriminatory access to services can be accessed by all participants via contract, via capacity trade, or though the general hub service outlined above.

5.1.3. Other gas supply hubs

APA supports the AEMC direction for stage 2 to develop a long term strategy for the location of facilitated markets. APA believes that this work should consider the appropriate structure and timing of any future Moomba Gas Supply Hub, as well as whether there is a longer term case to transition the Victorian DWGM to the supply hub model.

6. Information provision

The AEMC Stage 1 Draft Report includes a number of suggestions in relation to gas market information provision, both as near term changes to improve the market, and longer term strategic changes that could be considered. APA discusses these in the following sections.

6.1. Making the Bulletin Board a "one stop shop"

APA supports the AEMC recommendation to enhance the value of the Bulletin Board by making it a more comprehensive source of available information on the gas market. However, in seeking to make the Bulletin Board a comprehensive source, consideration must be given to cost. The supply of information is not costless, and careful consideration must be given to the types of decisions which pipeline users might make, and the types of information which will facilitate the making of those decisions.

The AEMC has recognised the desirability of the trading of secondary capacity, but has not, at this stage, established the reasons why such trading is not occurring. Without that work, some of the proposed 'enhanced information provision' discussed in the Stage 1 Draft Report is without clear justification of the benefits they could be expected to deliver.

6.1.1. Improving the useability of published nomination and flow data

One of the original purposes of the Bulletin Board was to provide interested parties with information on production, demand and pipeline flows on a daily and short term forecast basis, to support market operation and trading. This is still a highly relevant role for the Bulletin Board – arguably its most important.

Relevant information is published on the Bulletin Board under two zone types – production and demand – with zone definitions established under the AEMO Bulletin Board Procedures. This concept was valid at the time of the Bulletin Board implementation when supply and demand sources were typically connected by single uni-directional pipelines and there was little or no interconnection between different markets.

With the rapid development of the market, in particular increased interconnection of pipelines, installation of bi-directional capability, and the establishment of the STTM hubs and Wallumbilla Gas Supply Hub, these zone definitions have become out of date. While APA reports pipeline flows to AEMO in accordance with these definitions, this data could no longer be said to satisfy the intent of the Bulletin Board, which is to provide accurate and timely information on daily and short term forecast pipeline flows/utilisation. The failing is in the zone definitions, not the underlying quality of the data.

APA has been working with AEMO on options to improve the useability of information on the Bulletin Board. APA believes that users of the Bulletin Board should be able to 'balance' gas flows across the east coast (with very minor deviations associated with use of system gas and changes in linepack) in order to gain an understanding of where gas is produced, where it flows, and where it is consumed on a daily basis, as well as easily determine pipeline utilisation and available capacity.

To achieve this outcome, APA's recommendations to AEMO have included the following:

- Changes to demand zone definitions, to;
  - Increase the number of demand zones, for example on the MSP and RBP;

  - Represent more natural groupings of delivery points by regions;
  - Align demand zones in Sydney, Brisbane and Adelaide with the STTM zones;
  - Clearly and accurately describe demand zones, in particular inclusions and exclusions in the data for each demand zone; and
  - Reflect flows on bidirectional pipelines, such as the SWQP, MSP and RBP;
- Represent pipeline storage and changes in linepack as the difference between pipeline zone receipts and deliveries over the short term, with these values balancing over the longer term;
- Establishment of the new zone type – a transit zone – to be applied at points where two or more pipelines meet to show gas passing through a zone that is neither produced nor consumed in that zone;
  - Transit zones would include Wallumbilla, Ballera and Moomba, for example. Transit gas would be reported separately from gas that is produced or consumed in a zone, so that users of the Bulletin Board can gain a clear view of the amounts of gas that flow through major transit points; and
- Publish schematics showing the pipeline receipt and delivery points that are included in each zone, to improve clarity on what data represents.

Examples of some suggested demand and transit zone breakdowns and associated schematics for APA pipelines are set out in Attachment A.

APA believes that this approach would support the development of the market, and meet many of the aims for information provision set out in the Stage 1 Draft report. Alignment of demand zones with STTM zones would facilitate the publication of STTM market data on the Bulletin Board, and remove current inconsistencies between reported capacity and demand on the STTM and the Bulletin Board at points such as Sydney and Brisbane.

6.1.2. Inclusion of long term planning information on the Bulletin Board

APA supports publication of long-term planning reports on the Bulletin Board.

There is potential for further alignment between the Bulletin Board and long term planning documents prepared by AEMO and other bodies through the alignment of reporting with Bulletin Board demand zones so that users of the Bulletin Board can derive clear long term forecasts for particular Bulletin Board zones. This type of alignment does not mean that more detailed delivery point forecasts cannot also be published, but aggregation of data into defined zones in line with those on the Bulletin Board would further assist Bulletin Board users to interpret short and long term planning data.

6.1.3. Expanding scope of capacity listing services

APA considers that there may be merit in expanding the capacity listing service on the Bulletin Board to include other tradeable services. All services that are provided under firm contractual arrangements can be traded. For APA services, this includes transportation services, as well as ‘hub services’ such as compression available at Wallumbilla and Moomba.

APA is currently undertaking the required APA system changes to provide for the facilitated trade of the compression hub service at Moomba. This would allow

compression services to be traded using a similar model as APA's current facilitated pipeline capacity trading service, allowing the purchasing party to separately nominate compression services procured through the secondary market through APA's systems.

APA is also looking at expanding this capability to compression and redirection services provided at Wallumbilla, in particular to support moving to a multiple facility single trading hub at Wallumbilla.

In respect of publication of available capacity, APA notes that the current Rule change proposal before the AEMC would require pipeline operators to publish available spare (uncontracted) capacity by pipeline. This is effectively an extension of existing requirements applying to covered pipeline service providers to publish spare capacity registers on their websites for each pipeline. Ahead of consideration of this Rule change proposal, there may be a case for publishing on the Bulletin Board existing information on available spare capacity, in order to bring this information into a single location.

APA notes that, should the AEMC accept the Rule change proposal in respect of publishing available spare capacity for all Bulletin Board pipelines, the existing requirement on scheme pipelines set out in Rule 111 is effectively superceded, and should be removed from the National Gas Rules.

6.1.4. Scope for publication of transportation and storage charges

APA notes the suggestion in the Stage 1 Draft Report that the Bulletin Board include scope for the publication of pipeline and storage charges in the primary market (that is, direct from the provider of the infrastructure). APA cautions against this approach as it creates too great a separation between the provider of the service and the site of publication. It also strays into access regulation and price monitoring, which are features of the access regime.

The AEMC has not made a case that there is a problem in the market associated with information on primary pipeline capacity. Instead, the AEMC has found that this market works well, and has facilitated investment and market growth. Where the AEMC believes it may have found a shortcoming is in the secondary capacity trading market. To the extent these shortcomings are real and material, publication of primary capacity tariffs will not address them.

Similar to the AEMC's observations in respect of publication of gas prices, transportation tariffs are a function of applicable terms and conditions, in particular the type of service sought (firm, as available, interruptible) and the term over which the service is sought. The location of receipt and delivery of gas into the pipeline system can also be relevant where tariffs are determined on a per kilometre basis, and/or where there are capacity constraints on particular parts of a pipeline. These considerations are relevant to the tariff that may apply. Similarly, storage tariffs are closely linked to terms, in particular the pace of storage discharge and recharge.

APA considers that the Bulletin Board could include links to relevant tariffs published by the pipeliner. The decision to publish tariffs, however, should be voluntary, except as required under the access regime. Prices for secondary capacity could be available through relevant trading platforms. These can also be linked to the Bulletin Board.

APA notes that the AEMC briefly canvasses whether it might be appropriate to require pipeliners and storage service providers to publish applicable tariff information on the

Bulletin Board.[12] APA considers that any requirement to publish tariffs on the Bulletin Board would overlap with existing requirements applying to scheme pipelines, and potentially circumvent the access regime which links a requirement to publish tariffs with access regulation.

6.1.5. Further potential improvements listed in the Stage 1 Draft report

Within day incident reporting

APA supports improving the useability of the Bulletin Board by making information easier to find on the home page.

In particular, APA considers there is scope to improve the useability and accessibility of near real-time information on system events and disruptions. The current AEMO Bulletin Board Procedures require a pipeline operator to update its published LCA flag status in line with the following:

> In accordance with rule *172(2)*, a *pipeline operator* must update the *LCA flag* in respect of a *BB pipeline* as soon as practicable if it determines that the *LCA flag* status for any day in the current 3-day capacity outlook period no longer reflects its view of the actual or expected capability of the *BB pipeline* to meet the *aggregated delivery nominations* for that gas day.[13]

In effect, this requirement represents close to real-time reporting of pipeline incidents or demand events that impact the deliverability of scheduled gas flows. In addition to amending the LCA flag status, the pipeline operator is required under the Procedures to provide a reason for the LCA flag change that is also published on the Bulletin Board.

APA notes that the meaning of the LCA flags is set out in the Procedures, and can be amended to provide greater clarity as to the events that may trigger a change in flag status, and the kind of information that must be provided in support of a change in flag status.

APA believes that information on system events could be more prominent on the Bulletin Board. A simple, early change to the Bulletin Board could be to highlight on the home page system map pipelines to which an amber or red flag currently applies.

APA further considers that the existing 'free text' capacity could be used to provide pipeliners and other facility operators with a mechanism to notify the market that an event may be imminent, such as a change to an LCA flag if demand continues at current levels. Such notices should be accessible from the home page, with an alert that there is a new message whenever relevant.

These are relatively simple and low cost changes to the Bulletin Board that would improve its functionality, and provide users of the Bulletin Board with relevant near real time information in relation to incidents and system status. APA does not believe that there would be a net public benefit in moving to full real time system reporting at this stage. The market predominately operates on a daily basis, and incidents that may warrant within day market notification are rare, and when they do arise, facility operators are required to

[12] AEMC 2015, Stage 1 Draft Report, p 159
[13] AEMO 2014, *Natural Gas Services Bulletin Board Procedures V3.0*, p 12

update the Bulletin Board when the expectation is that it may impact on capability of the Bulletin Board pipeline to meet the aggregated delivery nominations.

Providing greater clarity of what the data represents

As described above in relation to improving the applicability of published nomination and flow data, APA considers that the Bulletin Board could be improved through the publication of detailed pipeline and facility schematics that clearly show inclusions and exclusions in published data. This would include information on pipeline storage, which would present as an imbalance between pipeline deliveries to a particular zone, and demand in a particular zone.

Examples of potential pipeline schematics are set out in Attachment A to this submission.

6.2. Improving transparency of gas prices

APA supports the AEMC's Stage 1 recommendation to develop market-based mechanisms to improve transparency in relation to gas prices. APA recommended this approach in its submission in response to the Australian Government's Energy Green Paper as follows:

> While improved transparency over gas supply and availability (including information on gas reserves and production facility capacities) may require regulatory change to bring about, APA believes options to improve price transparency should focus on the operation of markets (such as the Wallumbilla gas supply hub) and the development of trusted price indices, rather than the publication of confidential contract prices. Both of these developments are likely to support the development of more liquid secondary trade of gas, as well as financial hedging products, which will improve the overall competitiveness of the gas sector.[14]

APA considers that this requirement is appropriate for gas prices provided in a competitive market, and similar policy considerations should be applied to the publication of other prices that are similarly provided in a competitive market, such as some pipeline and storage services.

6.3. Accuracy and timeliness of information on the Bulletin Board

APA notes comments made by the AEMC in relation to the accuracy and timeliness of information published on the Bulletin Board.

APA agrees that in respect of some data points, current users of the Bulletin Board can have little confidence in the data published on the Bulletin Board. This lack of confidence, however, should not stem from the quality of information provided to AEMO, but in the ability of current definitions and structure of the Bulletin Board to accurately represent pipeline flows. In short, what may look like data deficiencies may in fact be zone definitional deficiencies.

A key example is the fact that the SWQP demand zone definition currently cannot reflect bi-directional flows on the pipeline because it defines flows west of Wallumbilla. The Bulletin Board Procedures define the SWQP demand zone as:

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[14] APA Group 2014, *Submission responding to the Australian Government Energy White Paper – Green Paper*, November, p 6

> Demand on the SWQP west of Wallumbilla and to Ballera including that from the Cheepie to Barcaldine pipeline, any other laterals or connecting systems including any net deliveries to the Ballera zone on the day.[15]

There are similar definitional issues emerging with other pipelines that are soon to become bi-directional, such as the RBP and MSP.

APA considers that this issue would be resolved by a wholesale rewrite of existing zone definitions, and the development of a new reporting type called a 'transit zone' that captures all gas passing through a zone that is neither produced nor consumed in that zone.

The AER currently monitors Bulletin Board compliance. The Rules, and associated AEMO Procedures, include detailed requirements that are backed by civil penalty provisions for non-compliance. APA considers that this is the standard compliance regime under the National Gas Rules, and compliance history since 2008 does not appear to warrant changes to this regime.

6.4. Consideration of further information that could be published on the Bulletin Board

The Stage 1 Draft Report sets out a number of other potential areas of additional information reporting, that it may consider as part of the Rule change proposal currently before it in relation to pipeline capacity trading. APA believes that a number of suggestions made by the AEMC are an unnecessary repetition of areas of information disclosure that have recently undergone close policy consideration and stakeholder consultation, with resulting conclusions that this information should not be required to be published. APA is referring specifically to:

- Publication of linepack data; and
- Extension of medium term capacity notifications to a rolling 12 month capacity outlook, including standardising the form of information.

The AEMC appears to have pre-judged these areas as 'information gaps' in the market, rather than considering whether the provision of additional information will actually support the market and deliver a net benefit. Moreover, at this time, there is no clear indication that filling these supposed information gaps will have any effect on the trading of capacity or the growth of the market, which the AEMC wants to stimulate.

6.4.1. Publication of linepack data

The question of publication of linepack data was discussed in detail in relation to the COAG Energy Council consultation process on enhanced pipeline capacity information. In response to that process, APA stated:

> The Consultation Paper discusses options to publish information regarding pipeline linepack. The Consultation Paper suggests that additional information on pipeline linepack would allow market participants to undertake risk assessments by providing a more complete picture of short-term system adequacy, and provide greater lead time to respond to operational issues and potentially prepare for demand side response. The Paper further states that linepack is an indicator of a pipeline's storage capacity.

[15] AEMO 2014, *Natural Gas Services Bulletin Board Procedures V3.0*, p 29

> APA considers that this assessment of the value and potential use of linepack information relies on inaccurate assumptions regarding the use and operational role of linepack, as well as the degree of information currently available to the market regarding linepack and how that can be used. APA further considers that the provision of additional information on linepack risks market participants making inefficient assumptions (and resulting actions) based on their assessment of pipeline conditions, some of which could put deliveries to other shippers at risk.[16]

It is unlikely that linepack data would give the market information that could be meaningfully used by market participants. In the first instance, it is important to understand that linepack amounts at the start of each day do not give a good indicator of the pipeliner's ability to deliver scheduled volumes.

Linepack amounts can vary significantly without impacting the ability to deliver contracted gas – in fact, it can reflect the pipeliner's preparation to deliver future contracted gas flows, or an underlying contractual arrangement where a shipper has arranged to receive and deliver gas on differing timeframes. Similarly, relatively low linepack does not necessarily denote there is a problem with delivering scheduled volumes. Even in cases where an event has occurred to limit linepack, low linepack may not mean that scheduled loads will not be met.

Linepack is necessary for the operation of the pipeline. Variations in linepack amounts can relate to underlying contractual arrangements, but can also reflect preparation for scheduled maintenance, pigging exercises, or normal seasonal or diurnal pressure fluctuations. Importantly, linepack is not a proxy for pipeline storage.

There is a risk that a market participant may seek to use published linepack values to manipulate the market. For example, a market participant could deplete linepack through unauthorised overruns where that participant determined (on the basis of incomplete information of other shippers' behaviour and needs) that there was adequate linepack 'storage' capacity to support these flows. Alternatively, a market participant may use unauthorised overruns to deplete linepack and cause a contingency gas event.

APA considers that the risk that linepack information could be used inappropriately far outweighs any possible benefit to the market from increased linepack data. As linepack data offers a very incomplete picture of system deliverability, APA does not believe that this data would provide useable information to the market, and is therefore more than likely to be used inappropriately, where it is used at all.

After canvassing this issue through its consultation process, APA notes that the COAG Energy Council chose not to include linepack data in its proposed Rule change. It would not be appropriate for the AEMC to seek to reiterate this matter.

6.4.2. Medium-term capacity outlooks

Publication of medium term capacity outlooks was the subject of a Rule change process in 2014, and the resulting Rules requiring facility operators to provide to AEMO information on scheduled outages only came into effect in January this year. The subject was raised again in the COAG Energy Council Enhanced Capacity Trading Information Consultation Paper, and was ultimately not included in the COAG Energy Council Rule change proposal to the AEMC.

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[16] APA Group 2014, *Enhanced Capacity Trading Information - Consultation Paper: APA Group submission*, July, p 3

APA believes that it is unnecessary for the AEMC to raise this area of information disclosure again in its Stage 1 Draft Report, so soon after its own Rule change decision that put in place a new information requirement that satisfied the needs of the market, as well as further policy consideration in the COAG Energy Council process in 2014. Continual revisiting of issues creates uncertainty and undermines confidence in the Rule change process, and are best be avoided in stable market governance arrangements.

APA considers that this issue was canvassed as part of the Rule change proposal and COAG Energy Council Rule change process, and there is little benefit in raising it again as part of this review process.

6.5. Broader review of market information needs

The AEMC notes that Stage 2 of the East Coast review will provide an opportunity to consider more closely the role of information in the gas market to support efficient decision-making.

6.5.1. Review of the scope, use and presentation of current information

APA considers that an essential first step in this process will be to undertake a comprehensive and reasoned review of information *currently* available in the market, and how market participants can use this information to support decision-making.

APA considers that the currently available information, in particular short term forecast and historical information on pipeline utilisation and flows, provides market participants with a very powerful tool to understand overall gas flows and trends, and to predict market outcomes. Along with the changes to the Bulletin Board zones recommended by APA above, market participants will be able to balance the gas market over the longer term, and be able to understand shorter term trends in gas storage and linepack flows by looking at imbalances between zone deliveries and demand on a daily or weekly basis.

Within the current framework, the Bulletin Board is intended to cover all east coast gas production, pipeline flows and demand centres. It is intended to provide a picture of the gas flows in their entirety. Unfortunately, over time, the Bulletin Board has not kept pace with changes in market structure, and zone definitions have not been updated or added to to reflect bidirectional pipeline flows or new production. Resolution of these matters, however, does not require new types of information to be provided to the Bulletin Board, only an update to Procedures relevant to the Bulletin Board.

In addition, information shortcomings can arise from the presentation of information, rather than its scope. For example, the recent redesign of the Bulletin Board by AEMO has taken information on historical pipeline utilisation that was already available in hard to access historical files, and provided a ready mechanism to order and present that data in graphical form so that users can understand pipeline usage trends. This is not new information; it is just better presentation of existing information.

There is also other information published on individual service provider sites, or through commercial providers. This is information that is currently available to the market, but may not be presented in a single location, or for free as a common good.

It is very important for the AEMC to consider whether all information needs to be presented in a single location, and whether all information needs to be provided to the market as a common good. Some types of information are highly specialised and may be costly to derive, and may provide commercial benefits to individual market participants

that outweigh their private costs to procure that information. This can include predictive tools and tools that allow the in depth analysis of within day gas movements. Keeping this information provision in the private sphere is not a market failing, but an efficient allocation of the costs of additional and specialised information to those that are likely to benefit from it.

It will be important for the AEMC to ensure in its analysis that calls for additional public information do not result in some market participants socialising their costs of procuring information for their own commercial ends. Rigorous application of the National Gas Objective, including consideration of the specific costs and beneficiaries of public information, should uncover these instances.

6.5.2. Consideration of additional market information

APA believes that it would be useful for the AEMC to articulate a set of assessment criteria that would assist the market and policy makers to determine what types of considerations should be brought to bear on decisions regarding additional information provision.

APA believes that the principal criteria for each information disclosure requirement should be net public benefit. To gain this understanding, some important questions that could be asked include:

- Who are the expected users of information provided to the market? Do different groups have different drivers/needs?
- How will users of that information, or a particular class of user of that information be expected to benefit from the information provided?
- How can the market more generally be expected to benefit from the information provided?
- Who is the best party to provide the information (and incur costs in doing so)?
- Are there any potential indirect costs on parties from the information provision, for example through the disclosure of market sensitive information that impacts competitive positions?

Gaining an understanding of the answer to these questions should assist the AEMC to determine whether satisfying a particular request for information provision is likely to lead to:

- a net public benefit (the benefits of disclosure would outweigh the costs for the market as a whole), which may suggest a general requirement for disclosure is appropriate;
- benefits for a small number of private users, but the overall benefit to the market of provision may not be large or may not outweigh the costs, which may suggest a role for private sector information provision; or
- no perceptible benefit from the information disclosure, as it does not assist any parties to make commercial or policy decisions, which suggests that no disclosure requirement should be imposed.

As noted above, these assessments should be undertaken with reference to the information that is currently available in the market, and how that information can be used, as well as the likely incremental benefit that the additional information will provide, and its associated costs.

Having satisfied these criteria, it is important to then understand which parties will be the principal beneficiaries of that information disclosure, as well as which parties will incur costs associated with that information disclosure. This allows costs to be appropriately assigned to beneficiaries.

6.6. Emergency arrangements

APA supports further work by the AEMC on gas market emergency arrangements.

APA agrees that there would be benefit in developing clearer processes in respect of emergencies, in particular:

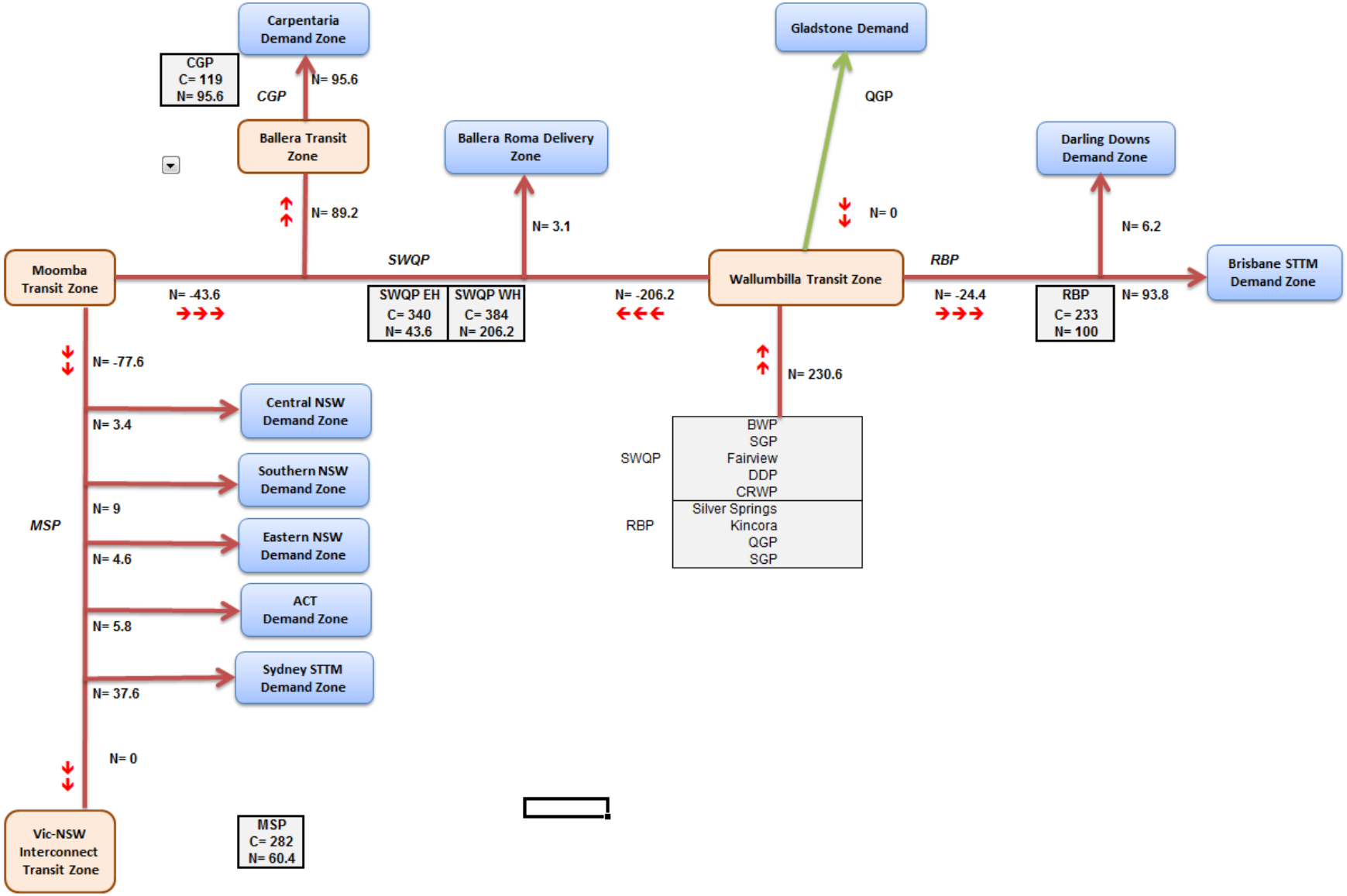
- The role of AEMO as market operator in Victoria, and the impact it can have on other interconnected markets through its actions;
- The role of commercial arrangements and responses to an emergency, and their impact on the facilitated gas markets; and
- The role of jurisdictions, in particular how government action can impact commercial arrangements and market outcomes.

APA would also welcome a more consultative and interactive approach to energy security planning, in particular the supply and demand assumptions used by governments when undertaking these planning exercises.

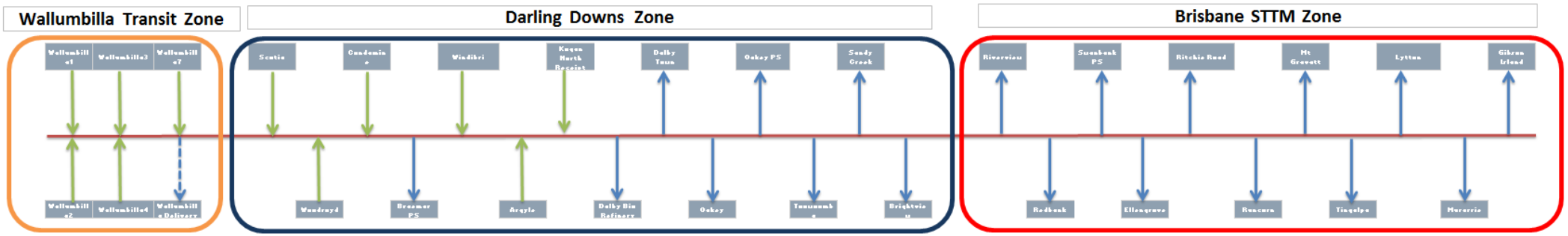
ATTACHMENT A

Bulletin Board – APA-proposed redesign of zones

Overview of APA-proposed Bulletin Board zones and published information



Roma Brisbane Pipeline – detailed zonal schematic



Moomba Sydney Pipeline – detailed zonal schematic