

23 August 2017

Mr John Pierce  
Chair – Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

**RE: GRC0040 – IMPROVEMENTS TO NATURAL GAS BULLETIN BOARD**

The Australian Petroleum Production & Exploration Association (APPEA) is the peak national body representing Australia's oil and gas exploration and production industry. APPEA has around 60 full member companies exploring for and producing Australia's oil and gas resources. These companies currently account for around 98 per cent of Australia's total oil and gas production and the vast majority of exploration. APPEA also represents over 140 associate member companies providing a wide range of goods and services to the industry.

APPEA welcomes the opportunity to provide comments on the proposed improvements to the natural gas bulletin board (NGBB) being considered under this Fast Track Rule Change Process. We recognise the work undertaken on these issues during the recent reviews into the east coast gas market.

APPEA's comments should be read in conjunction with individual submissions from, and AEMC engagement with, our member companies both through this Rule Change process and consultation during the AEMC's previous market reviews.

Australia's natural gas industry continues to support, improvements in the transparency of information available to natural gas markets to encourage more efficient trading and further development of liquidity.

APPEA's comments on the Fast Track Rule Change Process are focused on three areas.

**Removal of market participant and AEMO cost recovery provisions**

APPEA supports the removal of the costs recovery methodology from the Rules. To minimise unnecessary delays, we recommend that the Australian Energy Market Operator (AEMO) commence work immediately on the updated procedures to give effect to the new methodology.

As AEMO's cost recovery process is based on financial years, this change should come into effect no later than May 2018 to align with the commencement of the 2018-19 financial year.

APPEA members have identified a range of alternative cost recovery methodologies, which would appear consistent with the AEMO's Guiding Principles for cost recovery and fee setting.

### Rule 183 – Nominated and forecast delivery information for BB pipelines

APPEA members have indicated that lateral pipelines that are considered part of the ‘gathering’ system or internal network of pipelines supplying a main transmission line, are likely to be captured under the proposed reporting arrangements.

Members have indicated that the utility to the market of measuring and forecasting is low. Firstly, the gas contained in this system is primarily consumed at production facilities located within a producer’s own system or network. Secondly, metering infrastructure is not always available on lateral pipelines. Finally, gas may travel different routes through lateral pipelines due to a variety of operational and safety needs before entering a transmission pipeline.

APPEA recommends that the AEMC consider the alternative approaches proposed by APPEA members in their individual submissions that limit the application of Part 18 of the NGR to ‘upstream lateral pipeline’, including the following:

- creating a new rule providing that Rules 169, 170, 175, 178, 179, 181, 183 and 187 do not apply in respect of an upstream lateral pipeline; and
- including a new defined term in Rule 141 of ‘*upstream lateral pipeline*’ based on the following key concepts:
  - the pipeline is operated as part of an upstream producing operating (which is comparable in terminology to the definition of a gathering system);
  - the lateral pipeline is principally used to transmit gas from production or storage facilities operated as part of that upstream producing operation to other GBB pipelines that are not an ‘*upstream lateral pipeline*’; and
  - since the gas transmitted on the pipeline(s) is being transmitted to other GBB pipelines, the key daily flow data and other short-term information is accounted for in reporting from those GBB pipelines.

### Rule 185 Nominated and forecast use of production facilities

The proposed rule change introduces a requirement for producers to report aggregated injection nominations for D+1 to D+6. APPEA notes that this proposal was included in the AEMC’s *Stage 2 Final Report: Information Provision*, at page 86, though it was not included in the AEMC’s consultation draft.

Several gas producers have noted during engagement with the Australian Energy Market Operator (AEMO) in Gas Supply Guarantee workshops that this requirement would likely provide incomplete and misleading information to market participants.

APPEA understands that gas purchasers may have no contractual requirement to provide forward nominations to producers in good faith. While there is no evidence to suggest that gas purchasers could use their nominations to manipulate short term markets, the opportunity to do so will exist under this proposal. The electricity market corollary has good faith requirements to address this.

APPEA believes that this increased reporting will not provide any meaningful information to the market. The proposed reporting requirement will also lead to a significant overlap with aggregated shipper nominations as reported by pipeline operators.

APPEA recommends that the final Rule provides an exemption for gas producers to report aggregated injection nominations for D+1 to D+6, where this information is already reported by other market participants. Similar exemptions exist in the Gas Services Information Rules for the Western Australian Gas Bulletin Board.

Industry looks forward to continuing to work with the AEMC and AEMO to progress this and other market reform initiatives. Please contact Adam Welch, Senior Policy Adviser, at [awelch@appea.com.au](mailto:awelch@appea.com.au) or 08 9426 7205, if you wish to discuss any aspect of APPEA's submission.

Yours sincerely



Damian Dwyer  
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