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Project Leader
Australian Energy Market Commission
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28 August 2017

Dear Mr Pierce

# IMPROVEMENTS TO THE NATURAL GAS BULLETIN BOARD

Shell Pty Limited (Shell) (a member of the Shell Group) welcomes the opportunity to respond to the Australian Energy Market Commission (AEMC) Consultation on the Draft National Gas Amendment (Improvements to the Natural Gas Bulletin Board) Rule (the Draft Rule) and associated Draft Determination. Shell's comments on this issue relate primarily to the Gas Bulletin Board (GBB) cost recovery arrangements as well as the exemption arrangements for pipeline registration and reporting. In summary:

1. Shell fully supports the removal of the cost recovery methodology from the Rules and recommends this comes into effect no later than May 2018 to align with the commencement of the 2018-19 Financial Year.

2. The Australian Energy Market Operator (AEMO) should commence work immediately on a new cost recovery methodology so it is operational for the 2018-19 Financial Year. There are a range of alternative cost recovery methodologies, which would appear consistent with AEMO's Guiding Principles for cost recovery and fee setting.

3. Further consideration needs to be given to the potential impacts of the changes on LNG system laterals and gathering pipelines.

## Cost Recovery and the Rules

Shell supports the establishment and continual development of the National Gas Services Bulletin Board (GBB). We recognise its benefits as a tool to support trading and broader commercial and policy decision making. We are, however, very concerned the current cost recovery methodology of the GBB has resulted in an unintended disproportionate allocation of costs to the LNG businesses including the QGC Joint Venture Project, rather than fairly among the users/beneficiaries of the GBB. We were very pleased that this was recognised by the AEMC in the East Coast Wholesale Gas Markets and Pipeline Frameworks Review and that initial changes to address this issue are reflected in this Draft Rule.

Overall, as the first step in facilitating a more appropriate reallocation of the GBB costs, we fully support the removal of the cost recovery methodology from the Rules enabling the generally applicable AEMO processes to be applied to the GBB costs. Moving forward, our primary concern relates to the implementation timeframes.

## New Cost Allocation Arrangements

Given the change is now contained in a "Draft Rule" and the issue was consulted on as part of earlier consultation processes, we do not see any reason why AEMO cannot commence consultation on a new cost recovery methodology immediately to enable its implementation as soon as possible.

In terms of the methodology, Shell considers that principally costs should be allocated based on who is using the information and the underlying cost drivers rather than just gas flows. Furthermore, as the market is developing there are other users of the system who commercially benefit from the GGB (including information providers as well as players operating in the international LNG market) and should be arguably contributing to the costs.

At this point, our preferred methodology would be for the costs to be allocated based on a combination of fixed and variable components weighted towards smearing the costs more evening across shippers and potentially other identified parties. To advance the process we have identified a range of alternative options and we would welcome the opportunity to discuss these with AEMO in the near term.

## Implementation Timeframe

According to the transitional arrangements, the Final Rule is to be made in October 2017 with a commencement date of 30 September 2018. We consider this timing appropriate for the majority of the suggested changes, which largely relate to the collection and publication of information. However, based on this timing, the earliest cost recovery period the methodology could apply to would be the 2019-20 financial year (assuming the change needs to be implemented on a financial year basis).

This outcome would unnecessarily extend the period of time that businesses (such as the QGC Joint Venture) face a disproportionate level of the GBB cost burden. To avoid this situation, we recommend the commencement of this component of the Rule is brought forward to at least May 2018 so all arrangements are in place for the commencement of the 2018-19 Financial Year. It is expected that AEMO will have the relevant procedural changes in place by April 2018 which would allow the Rule to commence from 1 July 2018 (if deemed appropriate by AEMO following consultation).

## Exemption criteria and pipeline reporting

We are concerned that the changes to the registration exemption provisions could result in lateral pipelines that are either part of a gathering system or part of an internal network of pipelines, supplying a main transmission line, being unintentionally captured under the proposed reporting arrangements. We do not consider the benefits to the market of reporting such information would outweigh the costs to participants (particularly as the gas flow is reported through other production facility and pipeline reporting requirements).

As such, these pipelines should be explicitly excluded from the definition of a Bulletin Board Transmission Pipeline (and at a minimum, AEMO should be given the power to exempt certain pipelines from registration/reporting obligations where there are no clear market benefits). Overall, this issue requires further consideration and we would welcome the opportunity to discuss this further with the AEMC.

We would be pleased to discuss any issues raised in this submission and do not hesitate to contact me directly on 0409 877 116 if you have questions.

Yours sincerely,

Erin L Bledsoe

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Regulatory and Compliance Manager