

22 August 2017

Mr John Pierce

Chairman

Australian Energy Market Commission

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Dear Mr Pierce,

Australian Energy Market Commission Draft Rule Determination – Improvements to Natural Gas Bulletin Board

AEMO welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Improvements to Natural Gas Bulletin Board draft rule determination.

The Natural Gas Services Bulletin Board (NGSBB) is a website operated by AEMO that contributes to the National Gas Objective by providing accurate and transparent information on the east coast gas market in order to inform decision making by participants. AEMO supports the proposed improvements to the NGSBB, in particular:

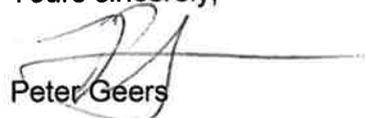
- Moving away from the zonal model as a basis for determining whether a facility operator is required to register will address many of the identified reporting gaps. Under the new model, AEMO will be able to change the way that data is aggregated without impacting participants' reporting obligations. This will enable the NGSBB to respond more quickly to developments in the east coast gas supply chain.
- Strengthening of the data and registration compliance framework will assist in preventing the occurrence of information asymmetries due to delayed registrations and poor information quality and timeliness.
- The change to funding arrangements will enable AEMO to regularly review the cost recovery provisions for the NGSBB in accordance with AEMO's broader consultation process on cost recovery methodologies for gas markets. This is administratively efficient and provides a mechanism to update the cost recovery methodology to address identified deficiencies. As an aside, AEMO notes that the new rules no longer require shippers to register as BB Shippers. This will likely necessitate a fundamental change in the cost recovery methodology.

Further to the above, AEMO has a number of comments in the attachment to this letter in respect of specific matters arising from the draft changes to Part 18 of the National Gas Rules (NGR).

AEMO considers that the timelines suggested by the AEMC in its draft determination are achievable and will work with industry to implement the reforms.

If you would like to discuss the contents of this submission further, please do not hesitate to contact Violette Mouchaileh on 03 9609 8551.

Yours sincerely,



Peter Geers

Executive General Manager, Markets

Attachment

Item 1

The removal of Division 9 (cost recovery provisions), without adding a specific power for AEMO to determine NGSBB cost recovery, may allow a party to challenge the validity of fees that are determined in accordance with AEMO's Procedures. AEMO requests that the AEMC specifically provide such a power in the NGR, similar to the provisions for the facilitated gas markets in Part 15A.¹

Item 2

The AEMC may wish to clarify the definition of BB Shipper to ensure that it encompasses all parties who have a right to inject or withdraw gas from a BB facility. This would ensure that reporting requirements apply to shippers who transport gas through a pipeline that is also owned by the shipper. Such shippers may not have a contract in place or a right determined by an access arrangement and therefore may not be covered by the current definition.

Item 3

The requirements in rule 183 (which relate to nominated forecast delivery information for BB pipelines) requires reporting entities for BB pipelines that form part of a declared transmission system to provide aggregated scheduled gas flows (injections and withdrawals on a net basis). BB reporting entities for other pipelines report nominations for injections and withdrawals at each point separately. AEMO proposes that BB reporting entities for BB pipelines that form part of a declared transmission system provide both scheduled injections and scheduled withdrawals separately in order to more closely align the reporting requirements.

In addition, the definition of 'controllable system point' in rule 183(3) of the draft rules may be interpreted to only apply to system points at which both injections and withdrawals of controllable quantities may be made. This interpretation could exclude several important facilities. AEMO suggests that the definition be reworded to apply to any system points at which controllable quantities (whether injections or withdrawals) can be bid.

Item 4

Section 183(2) only requires the BB reporting entity for a BB pipeline forming part of a declared transmission system to provide scheduled quantities for controllable system points for each gas day D. Currently, AEMO provides scheduled quantities for gas day D as well as D+1 and D+2 once these schedules are published. AEMO suggests that this provision be updated to reflect that this additional data can be provided.

Item 5

It is a common feature of pipelines to offer storage products (park and loan facilities) or to simply act as storage facilities (such as pipelines that are connected to a generator with little requirement to dispatch and therefore have low or no utilisation as gas transportation). The market would benefit from additional information, such as minimum, maximum and actual

¹ AEMO notes that section 135CC should be amended in any event to delete Note: 1 stating that "AEMO's expenditures for providing services as operator of the Natural Gas Services Bulletin Board are dealt with separately under Part 18".

linepack levels, as it would assist in understanding each pipeline's ability to store or produce gas.

The current definition of 'BB storage facility' is broad and may apply not only to pure storage facilities, but also to pipelines. The AEMC should consider whether operators of BB pipelines that offer storage type services are also subject to the reporting obligations placed on operators of BB storage facilities; and if not, whether such BB reporting entities should have additional reporting obligations that are consistent with the type of services that pipelines can offer.

Item 6

Rule 194(4)(b) requires that AEMO's data aggregation methodology for nominations and forecasts must not:

'publish or allow for the calculation of a nomination made by a market generating unit as defined in the National Electricity Rules'

This is overly restrictive and should be relaxed or removed for the following reasons:

- **Information already available in the National Electricity Market (NEM)**

It is currently possible to approximate the dispatch of a number (possibly all) of the generation facilities through publicly available information:

- a. Projected Assessment of System Adequacy (PASA) information – changes in PASA can be back-calculated to identify individual generator outages.
- b. Prior day bidding nominations and behaviours – looking at trends in generator's bidding behaviour makes it possible to approximate the market position of that participant and determine likely behaviours in response to market outcomes.
- c. Forecast generation – NEM pre-dispatch provides forecast generation, this can indicate changes in generators' positions (combined with other available information it is possible to approximate individual generators that have changed their electricity nomination).
- d. Constraint equations – there are constraint equations where a single generating unit impacts that equation. For example, the equation $N^{AQ_NIL_B1}$ only has Kogan Creek on the left-hand side of the equation. By using the published forecast (pre-dispatch) of the left-hand side and right-hand side constraint values it is possible to project the expected dispatch of this generator. Through a process of elimination and building on existing known generation, it is possible to predict a generator's dispatch across a day using multiple constraint equations.

- **Gas nominations not always directly related to a generating unit's expected generation**

The following issues demonstrate why a generating unit's gas nominations are not necessarily related to that unit's expected generation in the NEM:

- a. Common features of Gas Transportation Agreements (GTAs) mean that quantities of gas nominated by an entity that controls a generating unit may not be the same as the quantities of gas expected to be received by that generator. Such features include:

- i. Imbalance bands relating to the amount of capacity that has been contracted. For example, a GTA for 100TJ of capacity with a 10% imbalance band results in the shipper maintaining a demand/supply imbalance of less than +/- 10TJ on each gas day (cumulative with the previous days imbalance amount).
 - ii. Overrun quantities – the imbalance band sets a contractual volume that can be breached with penalty payment accrued accordingly (as a result of a business decision or something beyond the shipper's control).
 - iii. Park and loan facilities – storage type products where a shipper can park gas on the pipeline or loan gas from the pipeline. It is common for these type of products to exist between shippers.
 - iv. On-selling of capacity – a shipper with spare capacity may on-sell capacity to another user and ship that gas on their behalf.
- b. It is likely that changes to the registration threshold for the NGSBB will capture a number of pipelines that connect generating units to existing BB pipelines. Generators with larger pipelines have the flexibility to use these pipelines for a variety of functions including: storage, backhauling gas from hubs, or to manage take-or-pay positions. The nomination information relating to these pipelines should not be restricted as they can relate to a number of different uses.
 - c. A generator may be part of a portfolio, and it would not be clear to AEMO whether participants operate on a portfolio basis when nominating gas. It may be possible for participants to use the guise of bidding on behalf of a market generating unit to restrict the publication of information that is unrelated to electricity generation.

- **Potential loss of transparency across the NGSBB on gas nominations and forecasts**

AEMO may be required to aggregate data in ways that obscure gas nominations and forecasts that are unrelated to a generating unit's nominations. As an example the Darling Downs Pipeline (DDPL) has a number of receipt and delivery points connecting to it. These are points that connect to production facilities, other pipelines, and supply to the Darling Downs Power Station (DDPS). A possible outcome of rule 194(4)(b) is that AEMO would be unable to report any of these values, individually or in aggregate, as the resulting number (when analysed with other information published on the NGSBB or information already held by certain participants) would lead to parties being able to calculate the nomination of gas supplying the DDPS. AEMO may be required to aggregate the DDPL with the Wallumbilla hub, obscuring all injections and withdrawals at Wallumbilla.

- **AEMO unable to comply for all possible scenarios**

Changing conditions in the energy markets could create situations that allow for the calculation of a generator's nominations, where normally it would not be possible to do so. AEMO is of the opinion that it is not possible to develop a data aggregation methodology that complies with 194(4)(b) for all scenarios.