

Our Ref: 55144 - D14/90062
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18 July 2014

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Dear Sir/Madam

Enhanced Pipeline Capacity Information

The Australian Energy Regulator (**AER**) welcomes the opportunity to respond to the Council of Australian Governments (**COAG**) Energy Council Officials' consultation paper on enhanced pipeline capacity information (**the consultation paper**). The AER's submission focuses on two aspects of the consultation paper, including the cost recovery proposals associated with National Gas Market Bulletin Board (**BB**) data requirements and the scope of the proposed pipeline capacity information.

Cost recovery

The consultation paper seeks to identify whether it would be appropriate to allow market participants' cost recovery for future BB data provision and queries whether there are any issues with existing BB cost recovery processes under rule 198 of the National Gas Rules (**Gas Rules**).

The AER does not support a cost recovery process for BB data requirements. We consider that current industry practice as well as existing cost recovery processes demonstrates that the recovery of costs for BB data requirements is unnecessary and provides an administrative burden for the AER and industry. We also consider that provisions relating to existing BB data requirements and MOS services should be removed as part of the foreshadowed rule change process.

To date, no BB facility operator has applied to the AER to recover costs associated with providing BB data to AEMO, as provided for under rule 198 of the Gas Rules. The AER considers this may be a reflection that costs are immaterial compared to the costs of providing evidence of these costs to AEMO/AER under the Gas Rules and submitting a claim for regulatory approval. Further, while the AER has approved costs for MOS services (pipeline data); the costs are generally small compared to the revenue of the pipeline businesses involved.

Based on the AER's experience in regard to the existing BB data requirements and the MOS recovery process we consider that small amounts of costs should be absorbed within markets rather than through AER cost recovery processes. When such costs are likely to provide commercial benefits to participants, there is a stronger argument that such costs should be absorbed by the market. We also note that in the National Electricity Market, costs associated with equivalent requirements are not recoverable via a formalised cost recovery process.

Overall, the AER does not consider that costs relating to the MOS recovery process or BB data requirements should be recoverable through the regulatory process. Therefore, we consider that it may be in the long term interest of consumers for the COAG Energy Council's foreshadowed rule change to remove the ability of participants to recover costs associated with existing BB data requirements and MOS costs.

Increased access to capacity information

The AER is supportive of measures which will improve access to and provide additional information to the market on capacity information and other gas flow data.

As previously advised to COAG officials in 2013, non-public STTM data indicates relatively few trades of pipeline capacity in the STTM from one STTM gas participant to another. Whilst this is not the only relevant indicator of actual capacity utilisation or trade; this outcome is consistent with retailer comments to the AER that it is difficult to get access to timely information on available capacity. Retailers have emphasised the difficulty of aligning capacity contracts as part of a two part process with gas production contracts. The AER considers that increased access to capacity information would address some of these co-ordination issues and give greater scope for forward planning.

For its part, through its State of the Energy Market publication¹ and long term industry statistics², the AER intends to report on pipeline capacity information. This reporting would inform existing or potential gas market participants and policy makers.

We consider that having greater access to and timely information on capacity data is the first step towards facilitating trade of unutilised capacity.

If you have any queries relating to this submission, please contact Sarah McDowell on 03 9290 1488.

Yours sincerely

Andrew Reeves
Chair
Australian Energy Regulator

¹ <http://www.aer.gov.au/publications/state-of-the-energy-market-reports>

² <http://www.aer.gov.au/Industry-information/industry-statistics/wholesale>