

AUSTRALIAN PIPELINE INDUSTRY ASSOCIATION

Response to:

**Gas Market Leaders Group, Bulletin Board Working Group – Consultation Paper
5 July 2007**

Thank you for the opportunity to comment on the Bulletin Board (BB) Working Group Consultation Paper (Paper).

APIA notes the following from the GMLG's National Gas Market Development Plan:

The BB would be a single electronic communications system (website) covering all major gas production fields, major demand centres and transmission pipeline systems, including the interconnected pipeline systems of South Australia, Victoria, Tasmania, NSW and the ACT, and including a linked but separate page for non-interconnected pipeline systems operating in Queensland, Western Australia and the Northern Territory. The BB would not cover pipelines serving single users or small demand centres.

The BB would provide up-to date gas system and market information relating to pipelines, production and storage capacities and daily demand.

APIA agrees that the introduction of a voluntary BB could be problematic and would, therefore, encourage early resolution of the Statutory Framework as a precursor to the implementation of the BB. Of major concern to the pipeline industry is the possibility of facing liability for the information being provided as this information is either preliminary or based on aggregated information sourced from other entities.

Aggregate Nominations as Demand Forecasts

It is our understanding that parties downstream of pipelines are reluctant to provide demand forecasts to the BB Operator and that the Bulletin Board Working Group has recommended that pipeliners provide this information. APIA believes it would be more appropriate for this data to be provided by shippers. It should be noted that, in the Victorian market, the shippers provide forecast demand direct to the Market Operator and the data does, in fact, belong to the shippers and not pipeliners.

Given that there is a requirement for the data to be provided by pipeline companies, there must be an explicit recognition that these nominations are simply that: nominations and not forecasts. It must be recognised that these "forecasts" are aggregated from information provided by other entities and are a guide only.

With regard to the level of aggregation, there has been some discussion as to whether aggregated nominations should be provided at the jurisdiction, hub or pipeline level. The BB presentation indicated it would be at hub and jurisdiction level.

APIA supports aggregation at the jurisdiction level and strongly opposes provision of aggregated data at the pipeline level. We believe that aggregated data at the pipeline level would not enhance a competitive market. Totals provided by individual pipeline companies, if identifiable, could result in inappropriate signalling or provision of information between competing producers, competing shippers, competing pipelines and/or end users.

For the same reasons, APIA does not support the provision of information regarding injections into individual pipeline companies. Such a requirement would add to the cost and be of little benefit.

It should be noted that the original BB proposal was for baseline information which would be updated by exception. This has now been expanded to a requirement for daily information. APIA stresses that under no circumstances should this be extended now or in the future to intra-day nominations.

Indicators regarding loss of reserves

On the matter of reserves and availability of gas, it has been agreed that pipeline companies will provide indicators – flags – for this information. It must be clearly acknowledged that, in order to provide information about expected reserves, pipeline companies will be relying on information from contributing sources and therefore such indicators, that is the flags, might not provide absolutely accurate information.

Provision of actual data from individual pipelines

Although the provision of preliminary, unchecked actual data may facilitate trade, APIA is concerned that it could:

- add costs to the creation and on-going maintenance of the BB when subsequent corrections are required, or
- occasionally inaccurately portray gas supplies and this could become a point of contention. This issue could be a major concern, especially during an emergency.

If such preliminary data is mandated, it must be clear to all users of such data that the information is subject to subsequent confirmation and reconciliation through normal contractual processes and, as such, is likely to change.

Also, if historic data were required to be provided it should parallel nominations and, therefore, only be at a jurisdictional or hub level.

It should also be noted that a benefit of providing such data would be the highlighting of the difference between actual data and nominations and this may increase discipline in the accuracy of nominations.

A Relevant Market

In the establishment of the BB and the proposed Short Term Trading Market, policy makers should review the appropriateness of the application nation wide. The East and West markets in Australia have very particular and quite different perspectives and requirements. The objective of the BB is to facilitate trade (Consultation Paper p5); thus the requirement to implement the BB in a market where trade would not be facilitated is questionable. Clearly an operational BB would be most useful in a gas market with interconnected demand and supply centres, and a market that continues to grow, such as in the Eastern and Southern regions of Australia (the Eastern Gas Market).

The Eastern Gas Market currently involves the principal transmission pipelines, production facilities and networks connecting the Victoria, the ACT, the Adelaide and Sydney pipelines and networks. The BB and proposed Short Term Trading Market relate to the network of producers, transporters, generators *et al* conducting their business in this Eastern Gas Market. To some extent, this market extends to Wallumbilla and Brisbane.

However, northern Queensland, Western Australia and the Northern Territory remain commercially and physically isolated from the evolving Eastern Gas Market. These other areas have established their own protocols regarding customer information to facilitate trade and manage emergency situations. There should be full consideration and consultation before any expansion of the BB is planned for these areas. There is currently no physical connection between these markets at present and, although connections have been proposed, the development of the market is not expected for many years. The BB should not apply to these areas until a market has developed.

Criteria for inclusions in the BB

As determined by the GMLG, it is not considered necessary to include small pipelines in the BB process. APIA agrees with this position, as trading is likely to occur at or around the major cities and any inclusion in the BB of small, lateral pipelines would create unnecessary burden. It would be appropriate, therefore, for the BB to capture only the major transmission pipelines in a State that would be useful in facilitating trade. This is likely to be the major pipeline systems connecting the hubs noted above and, for simplicity, can be identified as VicHub, MSP, EGP, SEA Gas, MAP, and the Culcairn Interconnect, and possibly SWQP, Tasmania and RBP.

Emergency management

Naturally, during an emergency, data is required. Clearly, the BB might contain data which is both confidential and unreliable. In emergency circumstances the BB should only be accessed by approved users to avoid misinterpretation or misuse of potentially unreliable data. As an alternative, consideration could be given to establishment of both a stand-alone emergency response process and a stand-alone trading bulletin board process.

Confidential information

Confidential data should not generally be available on the BB. The BB should provide a high-level summary of market capacity, with flags and demand forecasts for trading purposes.

It is also important to ensure that confidential information does not become available to the industry representatives on NGERAC. Consideration should be given as to whether it is appropriate for this information to be provided to industry and/or government representatives for NGERAC purposes. If confidential information must be provided for the BB, it should only be accessed by approved users.

IT systems and Cost

APIA welcomes the Working Group's support for low-cost initiatives, as it is quite possible that costs to implement sophisticated systems could exceed the benefits. The immediate introduction of Graphical User Interfaces with associated software and supporting databases plus a BB Market Operator team to control and maintain such a system is likely to exceed the benefits of a simple and appropriate BB.

Nevertheless, as the provision of some of the necessary information is being undertaken by the pipeline companies rather than the Market Operator, APIA is of the very strong view that the cost of providing such information must be recovered those companies. This is particularly the case as most pipeline companies are not expected to benefit from the costs incurred. The benefits of trading will go to end users, shippers and others who would not bear the cost.

APIA notes the ACCC support for pipeline companies to recover costs of supporting a BB.¹ Therefore, APIA strongly believes that principles should be established to define cost recovery. Each pipeline has different operating systems and contractual arrangements, so the individual costs to those companies must be assessed.

Mandating time zones and updates

Issues such as mandating time zones to Eastern Standard Time and hourly updates of information create unnecessary administrative burden in collation, processing, reconciliation, reporting and associated explanation. Such mandates would also impinge on contractual arrangements while providing little value.

Appropriate Market Operator

APIA notes the proposal that Vencorp be the initial Gas Market Operator. We accept that Vencorp is currently the most appropriate entity, given its experience with regard to market operation. Nevertheless, given that a BB would operate nationally or almost nationally, it would be appropriate that expertise from other jurisdictions be included in the design and operation of the BB.

¹ RBP Access Arrangement 2007 section 4.5

Liability

Liability is a real issue for pipeline companies with regard to the provision of information, as well as contractual obligations.

As mentioned, aggregate nominations being provided as forecasts are not, by the nature of the information, automatically a reliable form of information and could thus lead to inappropriate outcomes if not used appropriately. The providers of this information, in the case of the proposed BB, the pipeline companies, should not be held liable for the accuracy of this information. The pipeline companies would be relying on information from shippers to aggregate the required information. It is APIA's view that liability for providing accurate information to forecast demand should rest with those providing the initial information.

With regard to the issue of providing indicators of reserves, pipeline companies should not be held accountable for the accuracy of these indicators. As mentioned above, using flags as indicators will work if the information provided to pipeline companies is accurate. However, pipeline companies themselves should not be held liable should this information be relied upon by other parties.

Also, it must be recognised that actual data is preliminary information and can be altered after meter checks and other day-to-day business operations. APIA requests that pipeline companies not be held accountable for the immediate accuracy of this information.

On the matter of confidential contractual information, as the BB requires access to confidential information, the Market Operator should be held accountable if this information is used inappropriately. Further, it is quite possible that the publication of nominations or actual data could be in breach of current pipeline contractual obligations and it is important that legal protection is provided to pipeline companies.

Conclusion

APIA supports the introduction of the Bulletin Board system. However, it must be made clear to the users of the system that the information being provided to the BB is aggregated information provided by entities other than pipeline companies, or is preliminary, and pipeline companies should not be held liable for the accuracy of such information.

Also, APIA strongly believes that a simple system should be introduced in the first instance. Thus, reliability can be established and problems can be addressed before more complex arrangements are introduced.