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Dear John,

Draft Bulletin Board Rules

The ERAA appreciates this opportunity for industry comment on the exposure draft of Bulletin Board provisions in the National Gas Rules (NGR).

The ERAA is an association representing 13 retailers of electricity and gas throughout the National Electricity Market and the jurisdictional gas markets. ERAA members collectively provide electricity and gas to the majority of customers in Eastern Australia and are the first point of contact for end-use customers for both gas and electricity.

It is worth reiterating that ERAA has been a strong supporter of key areas of wholesale gas market reform, including the Short Term Trading Market (STTM), Bulletin Board (BB), and the formation of an Australian Energy Market Operator (AEMO). ERAA members have been active participants in the Gas Market Leaders Group and in the design and rules formation under both the STTM and BB working groups.

In the main, the ERAA is comfortable with the proposed draft inclusions in the NGR. However we have identified some areas (outlined below) where changes would be beneficial.

Initial list of facilities

We generally support the list as shown in appendix 1a, 1b and 1c of the explanatory note.

One exception is that the QSN link is incorrectly labelled the QNS link in the table.

Initial List of demand and production zones

The proposed zone list noted in appendix 2 is supported as an initial zone definition subject to the following comments:

- It is assumed that Vichub will fall within the GB production zone, and therefore not appear as part of any demand zones?
- The comment on the EGP demand zone entry mentions TGP instead of EGP.
- Will the MAP, MSP, SEAGas, TGP and EGP demand zones include all laterals fed from these pipelines?
- ACT demand zone comment is incomplete. The missing words are “Dalton City Gate off the MSP”. For completeness, Hoskinstown City Gate should be specified as being off the EGP.
- Comments for GB and OTW production zones are mixed up.
- It is noted that ADEL, SYD and ACT demand zones are listed, but no Brisbane and Hobart zones are defined. Are there clear criteria for when such additional zones would be created?

A review of the zone definitions after a period of actual BB operation would be beneficial to allow for revision if appropriate. 12 months may be an appropriate review period, and our preference would be to hold the review under a BB operating procedure consultation rather than requiring rule changes.

Exemption criteria for storage and production facilities

The main principle that needs to be supported by the Rules is that the Bulletin Board should be able to source all significant production and storage inputs/outputs to/from BB pipelines.

Discussions around the BB indicate that there is some concern that Coal Seam Gas producers, who may have large numbers of small distributed production facilities, may be able to seek exemption under pure 20TJ/d criteria. It is important that the aggregate output of these CSM production facilities is captured by the BB, as the ERAA expects these producers to become increasingly significant in the Eastern Gas Market over coming years.

We urge the BB operator to directly discuss these matters with the CSG producers to ensure the draft Rules will be practical when they come into force.

Rule 24: Publication of Capability outlook information

Rule 24 requires producers to supply a 3 day capacity outlook to the Bulletin Board Operator. The Rules are unclear on what the BB operator is to do with this data, however discussion of Rule 32 in the draft NGR explanatory note refers to the potential requirement to aggregate Bass gas into the Longford production zone for the forward looking capacity outlook.

We note that standard practice in the NEM and the Victorian Gas Market is to only publish aggregated capability information for the forecast period, and not disclose individual facility capability outlooks. This level of disclosure provides information on the overall supply and demand outlook for the market, without disclosing commercially sensitive facility specific information. ERAA members are comfortable with this approach, and support the disclosure of only information aggregated by production zone the 3 day outlook.

Rule 24 (and Rule 27 for storage providers) should be augmented to indicate that the 3 day capability outlook will only be published at the production zone aggregate level.

Rule 32: Proposed approach to publishing Victorian delivery forecast data

The proposal to use the net injection data into each Victorian market entry point as a surrogate for delivery nominations for each of the Victorian BB pipeline routes is supported.

Rule 32: Inconsistent wording to be corrected

Current drafting for Rule 32(1) (a) requires the provision of *aggregated delivery nominations* for each gas day for each demand zone. We are comfortable with this definition, as it seems that the term *aggregated delivery nomination* is broad enough to cover the nominated delivery to each receipt point on a BB pipeline (either through forward haul or back haul).

In contrast Rule 32(1) (b) requires provision of available *forward daily nominations*. We are not clear why the term *forward daily nominations* has been used in this clause rather than the more general *aggregated delivery nominations*. In particular it seems that the term *forward daily nominations* may exclude any forecast back-haul sourced gas that is expected to be delivered to a pipeline receipt point during the forecast period.

As the general principle is that the information to be provided under Rule 32(1) (b) is meant to be the best available estimate of gas to be delivered at each of the BB pipeline receipt points, regardless of whether the gas is delivered via forward haul or back-haul, the ERAA is of the view that the more general term *aggregated delivery nominations* should be used in Rule 32(1) (b). This would result in a consistent approach within the clauses of Rule 32, and would ensure that the Rule delivers the desired outcomes.

Rule 35: Should the Implicit action be made explicit?

Rule 35 (1) currently allows BB participants to notify other BB users of capacity available for sale by providing information to the BB operator. It is implied that the BB operator will publish such information on the BB, however we query if the rules should be made explicit on this point?

A similar query applies for Rule 36 (1) (and potentially for other parts of the rules).

Rule 35: Extension to more general use for capacity trading

Rule 35 (1) currently allows pipeline operators or shippers to publish offers for spare capacity to other BB users. In order to maximise the flexibility of this capacity trading functionality, this clause should be extended to allow any BB participant to offer capacity for trading. This would allow at a minimum storage operators (and potentially other classes of BB participant) to advertise capacity they may have available for sale as well.

We also note that Rule 35 (1) only allows offers for *spare pipeline capacity* for sale. This should be broadened to allow participants to offer other forms of capacity for sale (eg. Storage or production capacity, spare or otherwise). A clause similar to Rule 36(2) should also be added which would extend the advertising of capacity to buyers who may wish to purchase capacity as well.

The procedures should be broad enough to allow capacity or gas to be offered or sought, at any location, and in any form possible.

Division 6: Publication of annual gas demand projections

Rule 39 requires the BB operator to use reasonable endeavours to estimate and publish winter and summer peak day demand forecasts for each jurisdiction. Consultation with each jurisdiction is to be conducted on these forecasts.

It is not clear to the ERAA that all participating jurisdictions currently have any expertise, or indeed information, on the peak daily demands that would be expected in their jurisdictions. For this reason it is not clear why the BB operator should consult with such jurisdictional bodies in developing its forecasts.

We accept in cases where there is a jurisdictional expertise, and a body already producing such forecasts, then these should be used by the BB operator. In such cases the source of the information should be published in the BB procedures.

For jurisdictions where such forecasts are not available, then the BB operator should clearly detail its approach to developing the forecasts in the BB procedures. The Rules should be amended to reflect this requirement.

We also note that Rule 39 (1) (b) refers to the months “November to March”. This should be extended to “October to April” to ensure that the full 12 months are covered.

Division 9: Cost recovery by BB operator

Cost recovery principle

The ERAA is comfortable with the general approach proposed for the allocation of costs (ie. the 100% variable approach).

Current drafting not correct

Our review of the cost recovery drafting in Division 9 indicates that it does not implement the proposed cost recovery principle. Discussions with the BB operator have indicated that they are aware of these deficiencies and have commenced work on redrafting this section. We support such a revision.

Governance around BB operator costs

An important principle is that there is strong governance around the operations of the Bulletin Board operator. The operator is conceived as a non-profit service provider who will have a right under the NGL and NGR to recover reasonable costs.

A key element of this governance will be determining what level of costs are “reasonable”. The ERAA believe some additional governance around this aspect of the Rules is needed.

Our suggested approach, which aims to minimise administrative cost, while ensuring appropriate scrutiny of expenditure by the BB operator, is as follows:

- BB operator estimates costs for future year (Prior to the start of the invoice period);
- BB releases budgeted cost for comment by BB participants (by first day of invoice period);
- BB operator responds to any comment (by 10 days into invoice period);
- Rules provide a right for aggrieved parties to make a case to the AER for a review of BB operator costs (5 days after BB operator response – 15 days into invoice period);
 - AER can either dismiss the claim if frivolous, in which case budget is accepted; or,
 - AER can investigate if they believe there is a valid concern.
- AER review to be completed within one month (by 45 days into invoice period);
- BB operator issues invoice on day 65 as per current draft rules.

Any disputes related to inappropriate actual expenditure in excess of approved forecast expenditure in the previous year, would be dealt with through a right of appeal to the AER. A requirement that at least two BB participants seek an appeal of this kind could be implemented to minimise the risk of inappropriate appeals.

Alternatively, the timing of the issuance of invoices could be delayed (from 65 days to some longer period) to allow a single AER review process that encompassed both the forward budget estimate and any concerns about excessive actual expenditure in the previous invoice period.

Division 10: Cost recovery by Pipeline Operators

We are generally supportive of the approach proposed in this area. However in order to ensure there is sufficient information available to allow for assessment of the validity of claimed BB pipeline costs, Rule 55 (1) (b) should be augmented to require tax invoices to contain “supporting details sufficient to allow assessment of the tax invoice.”

For further discussion of the matters raised in this submission, please contact me on (02) 9437 6180.

Yours Sincerely,

[Transmitted Electronically]

Cameron O'Reilly
Executive Director
Energy Retailers Association of Australia