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31 August 2009

Ms Michelle Croker
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Dear Ms Croker

Exposure Draft - National Gas (Short Term Trading Market) Amendment Rules 2009

The Ministerial Council on Energy has asked industry to comment on an exposure draft of the proposed National Gas (Short Term Trading Market) Amendment Rules 2009 and we welcome the opportunity to provide input on this important matter.

The structure of the Rules proposed for the STTM appear to largely capture the over-arching principles agreed by the Gas Market Leaders Group ("GMLG") within the framework provided by the Ministerial Council for Energy ("MCE") and as such, Esso's comments are largely related to drafting changes which may assist the Rules to better reflect the intended results.

Definitions

Given that there may be multiple persons able to enter into contracts associated with provision of services from an STTM production facility, Esso recommends that sub-clause (b) of the definition of **STTM facility operator** be modified as indicated below.

(b) for any other STTM facility, a person who owns, controls or operates that facility

The definition of **STTM production facility** is not currently aligned with the definitions of **STTM pipeline(s)** and **STTM storage facilities** as the definition does not currently specifically indicate that an STTM production facility must be directly connected to the STTM Hub. Esso proposes that the definition of STTM production facility be changed in line with one of the suggestions indicated below to remove this mis-alignment and to ensure that the STTM amendments proposed to the NGR's do not change the regulatory environment for production facilities who are not directly connected to the markets where the STTM is adopted, without due consultation and consideration of the potential implications for such changes.

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STTM production facility means a facility at which natural gas is produced so that it is in a form suitable for and has the ability to be injected directly from that facility into an STTM distribution system at a custody transfer point included in a hub.

Or

STTM production facility means a facility at which natural gas is produced for injection directly from that facility into an STTM distribution system at a custody transfer point included in a hub.

Although the STTM is primarily concerned with the operation of STTM facilities, consideration should be given to including commentary within the definition of the **gas quality specification** to indicate that changes in gas quality specifications particularly those specific to a particular STTM distribution system, should only be made following consultation with STTM Shippers. As STTM Shippers will typically not produce gas traded through an STTM hub, there will be a requirement to understand the impact that changes in gas quality specifications may have on their ability to either supply gas from their existing production source or alternatively the costs associated with obtaining gas meeting a revised gas quality specification.

Rule 131ABA:

Sub-clause 1(a)(ii) and 1(a)(iv) are intended to capture producers and storage providers directly connected to the STTM hub and as such, this would more clearly reflected by adding **STTM** prior to the words **producer** and **storage provider**.

Rule 131ABA:

Sub-clause (2) is intended to require that persons must be registered for each STTM Hub they wish to participate in, however the existing language may be misconstrued to be a requirement for persons having rights associated with STTM facilities to register. Esso believes it is more appropriate for the clause to read as indicated below and believes that this is in line with the potential for persons to have valid contractual arrangements with STTM facility owners but not be accepted for registration or may be de-registered by AEMO in accordance with the proposed STTM amendments [For example a person may have a contractual arrangement with an STTM facility owner, but be unable to meet the requirements of Rule 371(1)].

A person that intends to participate in a short term trading market in a registerable capacity must apply for registration for each STTM hub in respect of which it intends to participate in that capacity.

Rule 381:

As per the comment above in relation to Rule 131ABA, to ensure consistency with the concept that contract holders may be suspended from being trading participants or may not be accepted for registration by AEMO, Esso believes that Rule 381 should be modified to ensure that information must be provided by persons wishing to participate in the STTM but is not a mandatory requirement for those holding contractual rights with STTM facilities who are not able to or do not wish to exercise these rights within the STTM context. Esso believes that this outcome could be achieved through modifying the text as indicated below.

A contract holder who wishes to participate in the STTM must provide the information specified in rule 382 to AEMO for each facility contract and distribution contract to which it is a party:

Rule 440:

The intention of rules covering Contingency Gas within Division 8, Subdivision 1 reflect the intention that provision of Contingency Gas is a discretionary aspect of the market design, whilst placing obligations on those parties making Contingency Gas offers [refer Rule 433(1) in relation to obligations relating to provision of contract details].

Esso believes that Rule 440(2) should be modified as noted below to remove the mandatory obligation to attend a CG assessment conference. In the event that this modification does not satisfy the system security concerns in a jurisdiction, Esso suggests that the obligation to attend a CG assessment conference be limited to those parties that have satisfied the requirements of Rule 433 and who have submitted Contingency Gas bids or Contingency Gas offers, with attendance by other person's being recommended but not mandatory.

Any person who receives a notice of a CG assessment conference may attend the conference in any way permitted by the STTM procedures.

Rule 460:

Esso understands that it is intended that the factor to be applied to a Trading Participant in relation to a deviation be determined by considering that Trading Participants deviation against both tables contained in this rule, with the factor selected being that closest to 100% and believes that the text contained in Rule 460 should be amended to reflect this. Esso is concerned that the existing description which refers to the *lesser* value, may result in incorrect factors being applied in certain circumstances as outlined in the example below.

Example 1:

Scheduled Quantity	100 TJ		
Delivered Quantity	98 TJ		
Deviation percentage	-2 %	Factor	100%
Deviation quantity	-2 TJ	Factor	90%

The *lesser* factor is 90%, however Esso believes the intended outcome to be a factor of 100%.

Rule 461:

As per rule 460, Esso believes that the language describing the operation of the table contained in this rule should be modified to reflect the desire to utilise the table in which the resultant factor is closer to 100%.

Rule 474:

Esso notes that the time described in both sub-clauses (1)(a) and (1)(b) is identical and suggests that from a practical perspective no opportunity will exist for AEMO to exercise an ability to obtain credit support as envisaged in (1)(b), should payment not be made under sub-clause (1)(a) by 4:00 pm as indicated. Esso suggests that consideration be given to allowing sufficient time for AEMO to exercise rights with respect to trading participants defaulting under sub-clause (1)(a) associated with obtaining amounts available from credit support arrangements.

Conclusion:

Esso thanks the Ministerial Council on Energy for the opportunity to provide a submission in relation to the exposure draft of the National Gas (Short Term Trading Market) Amendment Rules 2009. Please contact Brendan Champness on 03 9270 3710 if we can extend further assistance to your office as you proceed with your review of this important matter.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J. K. Hunsaker', with a long horizontal flourish extending to the right.

James K Hunsaker
Director