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Australian Energy Market Operator
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GAS BULLETIN BOARD WALLUMBILLA DEMAND ZONE

Origin Energy Limited (Origin) welcomes the opportunity to comment on the COAG Energy Council Secretariat's proposed procedure change to create a new Wallumbilla demand zone on the Gas Bulletin Board (GBB). The COAG Energy Council Secretariat intends that the new demand zone will enable the reporting of accurate gas flows to and from Wallumbilla and from connected facilities.

Origin supports improvements to the GBB aimed at enhancing the value and availability of its information as this will promote efficient decision making and underpin efficient commodity trading and pricing. Whilst the proposed Wallumbilla demand zone intends doing this, we consider the value proposition for the proposed change has not been made and as a result, it should not be progressed at this time and in its current form. As a minimum, Origin suggests any decision on the proposed change should be delayed until the recommendations of the Australian Energy Market Commission's (AEMC's) east coast wholesale gas market and pipeline frameworks review are finalised.

1. Timing of the proposed change

There have been a number of changes to improve the GBB in recent years, including:

- work to improve its functionality and useability, which culminated in the release of an improved GBB platform in December 2014;
- the introduction of a demand zone to capture gas delivered to the Curtis Island LNG facilities, which commenced in July 2015; and
- the current rule change on enhanced information for gas transmission pipeline capacity trading.

These first two reforms were progressed by the Australian Energy Market Operator (AEMO) with industry through its GBB Reference Group. Origin was a participant in the GBB Reference Group and supported both reforms. We also support the third reform, which is currently being assessed by the AEMC.

The GBB Reference Group also began work on redeveloping the zones used on the GBB to improve transparency concerning gas flows. This work, however, was ceased earlier this year following the commencement of the AEMC's east coast wholesale gas market and pipeline frameworks review. As the AEMC's information work stream is considering whether the coverage and accuracy of GBB information can be improved, it was deemed appropriate that it assume the zones redevelopment work to ensure information on the GBB befits the future direction of the gas market.

The AEMC is due to publish its preliminary recommendations for its review on 4 December 2015, with the final recommendations to come in April 2016 following a public consultation process. In light of this, the COAG Energy Council Secretariat has suggested the proposed Wallumbilla demand zone is a temporary solution until a more holistic solution is developed and implemented across the east coast through the AEMC review process.

Origin has two issues with the imposition of a temporary solution at this time. Firstly, the AEMC review process is due to be completed in a matter of months. We do not see the urgency to introduce

a Wallumbilla demand zone prior to the AEMC finalising its more comprehensive recommendations for the GBB. By all accounts, the Wallumbilla gas supply hub is outperforming initial expectations. In addition, to date there has been no mention from industry through AEMO's Gas Supply Hub Reference Group that a lack of transparency around flows to the Wallumbilla compound is impeding efficient trading or pricing on the hub.

Secondly, Origin is uncomfortable with the implementation of temporary solutions as they do not represent value propositions for the market. The implementation of a Wallumbilla demand zone would create new obligations for facility operators to report net flows from the Roma production zone into or out of the South West Queensland Pipeline (SWQP) compound located at Wallumbilla. The AEMC review has the potential to recommend a revised GBB reporting regime that could make the Wallumbilla demand zone and the associated facility reporting requirements redundant.

There is a cost to both industry and AEMO to operationalise a new reporting requirement. From Origin's perspective, we would have to establish and maintain a new reporting regime in relation to the Darling Downs Pipeline and Spring Gully Pipeline. Origin already undertakes some reporting to the GBB for other supply facilities but we do not currently have any pipeline reporting requirements. As a result, reporting for these two pipelines would require the development and implementation of new systems and processes, as well as associated necessary training requirements and ongoing resource allocation to fulfil our reporting obligation. This is not an insubstantial expense for what has been recognised is a temporary solution.

Origin urges AEMO to fully evaluate the costs against the benefits of the proposed Wallumbilla demand zone. Any proposed change must demonstrate that the benefits outweigh the costs. This is even more so the case for a temporary solution that could be overtaken by other activities. It would be prudent to delay any decision on the proposed change until the recommendations of the AEMC review are finalised. This will ensure that it aligns with the future direction of the market and that any costs incurred are not for naught. As a principle, Origin's preference is that market development should focus on holistic, long term reforms as opposed to short term solutions.

2. Form of the proposed change

The Wallumbilla gas supply hub was established to provide industry with greater opportunity to buy and sell gas. While there is significant trading activity at this location both through the supply hub and outside of the facilitated market, no gas is consumed at this point. Instead, gas is brought to Wallumbilla, traded and then flowed away on interconnecting transmission pipelines.

The COAG Energy Council Secretariat's proposed procedure change intends establishing Wallumbilla as a demand zone. Origin considers this a misnomer as it suggests there is consumption at this point akin to other major demand zones across the east coast when there is in fact no consumption at this point. As such, we caution against establishing Wallumbilla as a demand zone as it is misleading and does not support clearer and better defined information, which is a feature of current market reforms.

To facilitate more accurate reporting on the GBB, AEMO's GBB Reference Group contemplated a number of other approaches for the design of GBB zones, such as new pipe-to-pipe and/or transit zone frameworks. Although these discussions were only at the preliminary stages and there was still a level of detail that needed to be worked through, Origin considers such frameworks would more accurately capture the nature of the market at Wallumbilla. As already discussed, the GBB Reference Group has ceased this work and it has been subsumed under the AEMC review.

Given the proposed Wallumbilla demand zone is a misnomer and a more apt framework is being considered through the AEMC process, this further supports not making this proposed change at this time.

3. *Potential alternative*

Should AEMO find that a temporary reporting requirement is warranted, Origin proposes a potential alternative be explored that could generate the same outcomes but could be implemented at a lower cost. Given the intention that facility operators report net flows from the Roma production zone into or out of the SWQP compound, it could be possible that the APA Group (APA), as the compound operator, could undertake this reporting. As the operator of a number of pipelines across the east coast, the cost for APA to undertake this incremental reporting is likely to be much less than the cost to establish new reporting requirements for those who do not currently undertake pipeline reporting.

An initial assessment in relation to Origin's Darling Downs Pipeline and Spring Gully Pipeline suggests this is possible as APA already has much of the information that would need to be reported because the Origin pipelines deliver gas to Wallumbilla through the APA compound. In addition, any maintenance affecting reported capacity on these pipelines requires coordination between APA and Origin, which means both parties hold equivalent information.

Origin looks forward to working with AEMO, APA and other affected facility operators to see whether this temporary solution is workable and if it better aligns with the recommendations of the AEMC review.

Should you have any questions or wish to discuss this information further, please contact Lillian Patterson on lillian.patterson@originenergy.com.au or (02) 9503 5375.

Yours sincerely,



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