



31 January 2018

Mr Jack Fitcher
Chief Financial Officer
Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

BY EMAIL

Dear Jack

Consultation Paper – Structure of Participant Fees in AEMO's Gas Markets

APA welcomes the opportunity to respond to AEMO's Consultation Paper on the structure of participant fees in Australia's gas markets. APA is a facility operator in a number of AEMO operated gas markets as well as the Gas Bulletin Board. As such APA has significant regulatory compliance obligations in respect of each of these markets.

This submission addresses the Gas Bulletin Board fee structure discussed in section 3.7 of the consultation paper. APA consider the cost of providing the Bulletin Board service should be borne by those parties who ultimately benefit from the service and this cost should be recovered in the most efficient and equitable manner possible. Arguably the benefits of the Bulletin Board accrue to the end consumer and as such the final fee mechanism should be designed to ensure that costs are spread equally across all consumers of gas and collected in the most efficient manner possible.

Given the recent Rule change APA understands that AEMO has limited options with respect to recovering its costs for the Gas Bulletin Board. Additionally as part of this change the cost recovery options for Pipeline Operators were also removed.

APA considers there are several possible options, which are discussed below in order of preference:

1. Recover 100% from Production Facilities

This option would provide the simplest and fairest mechanism to equitably distribute costs on a per gigajoule basis across all gas entering the east coast market. It would remove the current exemption process for gas passing through multiple pipelines, thus reducing complexity and risk of disproportionate sharing of costs. This cost could then conceivably be passed on to end consumers through the wholesale commodity cost of gas.

2. Recover 100% from Pipeline Operators

Given Pipeline Operators already incur significant costs in data provision (for which they can no longer recover through the Rules) and may not have appropriate contractual mechanisms in place to pass these costs on, this would appear to be a complex and inequitable mechanism to pass costs through to the end consumer. This option may require continuation of the existing process of aggregation of shipper's deliveries which includes complexities around excluding gas flows between pipelines and subsequent pass through mechanisms.

3. Recover from a combination of Storage, Pipeline and Production Facility Operators

Any proposal to split the cost between facility operators (Pipeline, Production and Storage) would only result in increased overall administrative burden as well as increase the risk of disparities in cost recoveries from the ultimate beneficiaries of the service. APA view this as the least desirable of the proposed options.

APA would be pleased to discuss this submission and provide further information which may assist AEMO. In the first instance please contact me on 07 3323 6023.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'John Jamieson', with a long, sweeping horizontal stroke extending to the right.

John Jamieson

Manager Products and Services