stanwell

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Jack Fitcher
Chief Financial Officer (Acting)
Australian Energy Markets Operator Ltd
Submitted via email
CC: Alex.Steenberg@aemo.com.au

Dear Jack

Thank you for the opportunity to provide input to the AEMO consultation on Gas Market Fee Methodologies.

Stanwell's interest in the gas market is as an industrial buyer and trader of gas for the Swanbank E and Mica Creek power stations. Swanbank E power station has a capacity of 385MW and is located 10km from Ipswich, QLD. Mica Creek power station is 302MW and is located near Mount Isa, QLD. Stanwell is a participant in the Brisbane STTM, Wallumbilla hub and Gas Bulletin Board.

Stanwell supports the guiding principles listed in section 1.2 of the initial consultation paper, however we consider that there should be an explicit recognition that cost reflective fee structures are desirable.

Stanwell provides the following responses to the questions raised in the consultation paper.

3A. Are the current fee-paying participant groups the beneficiaries of AEMO's services?

While we consider that there may be minor discrepancies between fee payment and beneficiaries, Stanwell consider that the current structure is broadly consistent with the guiding principles.

3B. Could similar gas market fees be consolidated?

Over the long term, Stanwell supports the objective to simplify fee structures where possible. However in the short term, consistent with the information provided in the initial consultation paper, we expect that the costs to operate each gas market are likely to remain largely distinct. In this environment we would expect that each market should have simple, cost reflective fee structures. Within the markets which Stanwell is exposed to we do not see sufficiently similar fees to warrant consolidation.

Stanwell consider that there are likely to be significant benefits going forward to having AEMO markets using common infrastructure and design where possible. Such "back end" consolidation is likely to allow for efficiencies in operation and consolidation of fee structures across markets.

3C. Can the number of fees within each gas market be reduced for simplification?

Within the markets which Stanwell is exposed to we consider that the fee structures are already simple, and that reducing the number of fees would likely decrease cost reflectivity.

3D. Is the current manner for calculating and charging the Gas Bulleting Board fees still appropriate?

Stanwell are comfortable that the current fee structure provides a reasonable balance between participant classes. We note that while shippers pay fees for usage, producers are required to provide data which comes with its own cost.

While there are some "free riders" of the GBB, we consider that altering this aspect of the Bulletin Board is likely to be difficult given its open, website based nature, and that any benefits of doing so are likely to be marginal. If this issue were considered desirable to address, Stanwell would encourage AEMO to investigate whether there would be costs or benefits to GBB information being provided through a similar model to ASX data, where (fee paying) database subscribers are able to access live data, while (non fee paying) website users are provided only with delayed data. Alternatively, could the public provision of GBB data be seen in a similar light to Australian Bureau of Statistics publication of economic statistics, and be funded by a government grant or allocation rather than recovery from (some) participants?

We consider that the Gas Bulletin Board may have different users, and different benefits to different users when compared to other gas markets. Accordingly, we believe that recovering GBB costs via other gas functions is likely to reduce cost reflectivity.

3E. Comparison with other fee structures.

We note that the current NEM fee structure is primarily usage based ($/MWh) and will continue in that form until at least 2016. While simple, this structure is not necessarily cost reflective, putting it at risk of becoming out of step with most other fee or tariff structures being reviewed or developed.

As indicated above, Stanwell support fee structures that balance the need for both simplicity and cost reflectivity, and as such, do not consider that the removal of fixed fees is beneficial where such fees reflect underlying cost structures.

We note that the Energy Consumers Australia fee collection methodology is being consulted on separately by AEMO.

3F. Period of fee structure length.

Stanwell would support aligning the period of all gas market structures rather than rolling over the current 3 and 5 year periods.

Given the expectation of continuing evolution of the gas markets in the short term, Stanwell expects that there are likely to be benefits in a relatively short structure of 2-3 years for this determination. This will allow for further consideration as markets develop.

3G. Break-even period to recover costs.
Stanwell believe that where possible, break-even period should align with the fee structure determined above.

Thank you for your consideration of Stanwell's views in relation to this consultation. If you would like to discuss any aspect of this submission, please contact Paul Frisch, Strategy Gas Optimisation Manager on 07 3228 4534.

Yours sincerely

Luke Van Boeckel
Manager Regulatory Strategy
Energy Trading and Commercial Strategy