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**Regulation Impact Statement Consultation Paper – Gas Transmission Pipeline Capacity Trading**

Jemena Limited (**Jemena**) welcomes the opportunity to respond to the Standing Council on Energy and Resources (**SCER**) Secretariat Gas Transmission Pipeline Capacity Trading Consultation Regulation Impact Statement (**the RIS**).

Jemena owns and operates two gas transmission pipelines—the Eastern Gas Pipeline (**EGP**) and the Queensland Gas Pipeline (**QGP**)—as well as the principal gas distribution network in NSW, one of five electricity distribution networks in Victoria and the Colongra gas transmission and storage pipeline. Jemena has a 34 per cent interest in United Energy Distribution which distributes electricity in Victoria and a 50 per cent interest in the ActewAGL Distribution Partnership which distributes gas in the ACT and adjacent areas of NSW and electricity in the ACT. Jemena also owns and operates the distribution network for the Rosehill Recycled Water Scheme in Western Sydney.

As the owner and operator of gas transmission pipelines, Jemena has a particular interest in the current consultation and is also well placed to comment on the issues canvassed in the RIS.

Jemena does not believe that there are problems with the way unused pipeline capacity is traded. Jemena permits capacity trading on its pipelines, and is aware of such trade occurring. This trading occurs through bilateral negotiations between shippers and third parties, none of whom, including prospective customers, have communicated problems with this process to Jemena.

Jemena considers that options 2, 3 and 4 proposed in the RIS are likely to impose costs or risks on pipeliners and shippers, and that these options are unlikely to result in greater capacity trading activity. The costs of these options are therefore unlikely to exceed the benefits gained from their adoption. Jemena therefore supports the conclusion that the status quo be maintained until such a time that there is clear evidence of market failure, and that it has been established that any proposed interventions will deliver market benefits which exceed their costs. Jemena supports the proposal for a future review of capacity trading activity at the Wallumbilla Gas Supply Hub, however considers that such a review should be undertaken after the Hub has been operational for a period of three years.

Answers to the questions for stakeholders in the RIS are attached below, along with an assessment of the proposed options and the likely short and long-term implications of each.

Please note that this is a public version of Jemena's confidential submission provided to the SCER Secretariat.

Should you wish to discuss this submission, please contact Gabrielle Sycamore, Manager Southern Pipelines, on (03) 8544 9853 or by email: gabrielle.sycamore@jemena.com.au.

Yours sincerely

Gabrielle Sycamore
Manager Southern Pipelines

## Questions for Stakeholders

| |
|---|
| 1. Are there reasons why fuller pipeline capacity utilisation may be either advantageous or not desirable? |

Jemena agrees that higher pipeline capacity utilisation is desirable, and notes that pipeline operators have a commercial incentive to maximise the utilisation of their pipelines.

Pipelines are built to accommodate peak demand. Shippers contract capacity to meet their peak requirements[1], and therefore this capacity may not be fully used during non-peak times. So long as the amount of spare capacity available at peak times is reasonable, it cannot be said that pipeline capacity is "underutilised". There will inevitably be spare capacity at non-peak times but that is because demand for capacity is low at those times. Increased trading rights will only lead to increased utilisation if there is unmet demand for capacity.

Demand for capacity during non-peak times can be satisfied by 'as-available' services, where customers can purchase access to interruptible capacity from pipeline owners, without making the long-term commitment of contributing to additional capacity investment. Jemena offers as-available services on both the EGP and QGP. Jemena notes that it is in its commercial interest to provide those services, although demand for them is low.[2]

Jemena therefore considers that, although increased capacity utilisation is desirable, there is no market failure and so there is no case for regulatory intervention.

Jemena also wishes to emphasise some specific points regarding the views presented in the RIS regarding capacity utilisation:

1. The lower utilisation of capacity in off-peak times not only results from lower customer demand at these times, but may also result from maintenance being performed by upstream producers. Therefore, despite the perceived availability of transmission capacity at these times, upstream producers may not be able to supply gas for transportation.

2. Jemena considers it important to note that in some cases where pipeline capacity may appear to be unused, shippers may be using their capacity reservations as a hedging product for short term position management. Jemena offers various services which enable shippers to park gas on our pipelines. This parked gas is linked with haulage services to manage portfolio movements and to offer intra-day services, including the provision of Short Term Trading Market (**STTM**) Market Operator Service (**MOS**). It would

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[1] Peak demand for capacity usually occurs on very cold days, due to the increased use of gas space heating, or on days of peak electricity demand, when gas-fired generators are operating

[2] Data on the use of as-available services on the QGP is provided in response to question 10 below

therefore be incorrect to assume that any amount of unused capacity in a pipeline is available to provide haulage services to another party.

3. On some pipelines, fuller capacity utilisation resulting from a use-it-or-sell-it (**UIOSI**) arrangement may complicate pipeline maintenance planning processes, as it would be more difficult to coordinate maintenance downtime with shippers if they were being forced to sell their capacity when not utilising it. If the amount of unused capacity is uncertain, Jemena may be unable to perform maintenance activities without curtailing the capacity available to shippers, an undesirable outcome for them.

2. In Australia, how easy is it to organise and execute novation and/or bare transfer of pipeline capacity?

Jemena is not aware of any barriers to the execution of such transactions. Shippers on the EGP and QGP have not advised Jemena of any difficulties with the process.

Jemena's standard terms and conditions of service for the EGP and QGP give shippers the right to trade capacity through either a bare transfer or by assigning capacity (novation) to a third party without incurring transaction setup costs. Jemena emphasises that on the QGP, one quarter of shippers actively trade surplus capacity with other shippers.

The section of Jemena's standard terms and conditions of service relating to capacity trading are attached in Appendices B and C.

3. What is the likely size of the benefits, if any, associated with adopting operational transfer and/or contractual transfer for the trade of secondary pipeline capacity in Australia?

4. What operational/system changes would be necessary to allow operational transfer and/or contractual transfer to be used in Australia and what would the likely costs be to making these changes?

In Jemena's view, adopting new transaction types for the trade of secondary pipeline capacity in Australia would not produce any clear benefits to offset the potential costs involved.

Regarding operational and contractual transfers, Jemena believes the interests of both pipeliners and shippers are better served by a transaction model where the pipeliner deals only with the shipper (such as under a bare transfer), rather than with the third party who is acquiring the capacity. Jemena's systems and operational processes are designed to interface with a small customer base consisting of contract holders only, who number approximately 25 across both the EGP and QGP. The introduction of operational and contractual transfers would cause Jemena to incur additional costs relating to IT systems and staffing levels. The magnitude of these costs would depend on the number of transactions which occur. Such costs are likely to be passed on to shippers and ultimately consumers.

Both Jemena and shippers would also incur costs in relation to the renegotiation of contracts if operational and/or contractual transfers were introduced, as these transaction types cannot be executed under the contractual arrangements currently in place between Jemena and its shippers and would introduce complexity in administering contractual terms.

5. Have you engaged in capacity trading in Australia and if so: how regularly do you undertake such transactions; what volumes and types of capacity (i.e. firm or ‘as available’) have you typically traded; and what pipelines have you traded capacity on?

6. If you have experienced difficulties when undertaking capacity trading what specific barriers have you experienced on what particular pipelines and/or what were the particular circumstances?

Questions 5 and 6 are not applicable to Jemena.

7. Are there any improvements that could be made to ease the transfer of pipeline capacity?

8. What factors, including market or regulatory factors (that may include the identified factors above) may be limiting secondary capacity trading in Australia?

As stated above, Jemena’s standard terms and conditions of service for both the EGP and QGP give shippers the right to trade or assign capacity to a third party with no additional transaction setup costs. As far as Jemena is aware, shippers on both pipelines are satisfied with these arrangements as they are.

Jemena regularly undertakes customer surveys for the purposes of gaining feedback from shippers, and secondary capacity trading arrangements have not been raised as an issue by any of our shippers through these surveys. Additionally, potential shippers have not raised issues with pipeline capacity trading in discussions with Jemena.

9. What types of transportation services would stakeholders be most interested in accessing?

10. Would stakeholders be interested in accessing short-term ‘as available’ interruptible gas transportation capacity?

11. What duration of capacity trades would stakeholders be most interested in seeking?

12. What pipelines and indicative annual capacity volumes would stakeholders be most interested in accessing?

13. What specific additional volumes of gas would producers be willing to supply into which specific markets?

Jemena believes these questions are applicable to other stakeholders, such as shippers or producers.

Regarding question 10, the table below shows the physical flows of gas transported by the QGP under both firm and as-available contracts. Note that Jemena offered capacity on an as-available basis throughout the time period shown.

| Quarter ending | Average GJ/day shipped under as-available contracts | Average GJ/day shipped under firm forward contracts | Percentage of total gas shipped under as-available contracts |
|---|---|---|---|
| 31-Mar-11 | 0 | 134,468 | 0.00% |
| 30-Jun-11 | 0 | 176,451 | 0.00% |
| 30-Sep-11 | 7 | 197,343 | 0.00% |
| 31-Dec-11 | 138 | 201,735 | 0.07% |
| 31-Mar-12 | 190 | 207,130 | 0.09% |
| 30-Jun-12 | 186 | 205,468 | 0.09% |
| 30-Sep-12 | 158 | 181,620 | 0.09% |
| 31-Dec-12 | 163 | 154,181 | 0.11% |

Despite the very limited use of as-available transportation services, one quarter of shippers on the QGP are actively involved in secondary capacity trading. These shippers are executing such trades using the current information available to all market participants, and through bilateral negotiations, rather than through an exchange-based trading platform.

The low use of as-available capacity, and the existing level of capacity trading between shippers, suggests that demand for additional capacity trading is likely to be limited, and that the current trading arrangements and information available to market participants are adequate. Introducing exchange-based trading platforms or more extensive information provision requirements will produce little if any benefit.

***Option 1: Status Quo***

14. Is there a problem with the way in which unused pipeline capacity is currently being traded in Australia and, if so, what are the key issues that have prevented/made difficult access to unused transportation capacity?

15. What aspects of the current capacity trading arrangements work well?

Jemena does not believe there is a problem with the way in which unused pipeline capacity is currently traded. Customers have not raised any concerns either in the course of routine engagement or through annual customer surveys.

As pipeliners are not involved in capacity trades executed by bare transfer, the complexity and costs of capacity trading from a pipeliner's perspective are low, compared to a B2C model (such as the STTM).  Consumers are the ultimate beneficiaries of these lower costs.

***Option 2: Information Provision***

16. Is adequate market information available so that pipeline capacity can be effectively traded? If not, what specific additional information is required?

17. Would the provision of improved market information be adequate to facilitate an increase in secondary capacity trading activity and, if not, what other tools/processes could be developed/pursued?

18. What are the likely advantages, disadvantages, costs, benefits and risks associated with the provision of additional information such as close to real-time data/ex-post data, preferably supported by quantitative evidence?

Jemena has not been asked by any of its shippers (or potential shippers) for additional information in order to facilitate secondary capacity trading. For this reason, Jemena does not consider that additional market information is required, or that the provision of additional market information would facilitate an increase in secondary capacity trading.

Jemena notes that pipeliners would incur additional costs if required to provide additional information, although the magnitude of those costs would depend on the type and extent of data required to be provided.

The provision of interval data each gas day for the STTM required expenditure by Jemena of approximately $900,000[3] on IT systems, legal costs and employee time spent in market design workshops. The STTM data submission obligations have also caused Jemena to incur significant additional IT support costs, especially relating to the provision of after-hours support. Jemena's commercial operations team, which is responsible for the STTM data obligations, has also been expanded to ensure that reporting obligations are met over weekends and public holidays. Any requirement for pipeliners to provide additional data would also raise questions around liability for data accuracy, posing additional risks for Jemena.

Real-time data streams would require significant information system expenditure, and additional staff would be required for data verification or data-cleansing. The cost to the Australian pipeline industry of providing real-time data could run into millions of dollars, depending on the actual information requirements.

[3] A detailed breakdown of this amount is provided in Appendix A (CONFIDENTIAL)

***Option 3: Voluntary Trading Platform***

19. What is the likelihood of industry participating in a voluntary pipeline capacity trading platform? If you consider the likelihood to be low, what are the key issues that could prevent incumbents from releasing unused capacity to the market?

20. What are the types of incentives that would most likely encourage industry to participate in a voluntary pipeline capacity trading platform?

21. What would be your likely costs to establish, operate and/or participate in a voluntary pipeline capacity trading platform?

22. What are the likely advantages, disadvantages, benefits and risks associated with the establishment of voluntary pipeline capacity trading platform, preferably supported by quantitative evidence?

Jemena considers that questions relating to the likelihood of industry participating in a voluntary trading platform or incentives to encourage participation in a voluntary trading platform are best answered by those parties who participate in capacity trading.

Regarding the costs Jemena would face under a voluntary trading platform, it is necessary to consider the transaction type employed by such a platform. If the platform utilises a bare transfer type of transaction, where pipeliners are not involved in the trade, then Jemena would not incur any additional costs relating to dealing with third parties. However, if the trading model employed did involve pipeliners in secondary capacity trades, then Jemena would incur additional costs. As explained in Jemena's answers to questions 3 and 4, such costs would be dependent on the frequency and number of trades.

A voluntary trading platform which included requirements for pipeliners to provide additional market information would also impose costs on Jemena. As explained in Jemena's answer to questions 16 to 18, costs to pipeliners could be significant, but would depend on the specifics of any requirements.

Jemena maintains that the benefits of introducing a voluntary trading platform must outweigh the costs and risks, and notes that there does not appear to be strong demand for measures to facilitate additional capacity trading. Current capacity trading arrangements do not appear to be failing market participants. Jemena is particularly concerned that current contracts may not provide a means of recovering those costs if the arrangements are voluntary.

Given the potential costs to pipeliners of implementing a voluntary trading platform, including any costs relating to the provision of additional information, and the potentially limited use of such a platform, it is likely that the costs of a voluntary platform will outweigh any benefits.

***Option 4: Mandatory Trading Obligations***

23. Under a mandatory pipeline capacity trading regime, would it be appropriate to mandate incumbents releasing all unused capacity or just a portion of unused capacity?

24. Under a mandatory pipeline capacity trading regime, would it be appropriate to regulate the price (including floor and/or ceiling prices) of capacity?

25. What would be appropriate mechanisms to clear the market under a mandatory pipeline capacity trading regime?

26. What would be other practicalities of introducing a mandatory pipeline capacity trading regime?

27. What would your likely costs be to establish, operate or comply with a mandatory pipeline capacity trading regime?

28. What are the likely advantages, disadvantages, benefits and risks associated with the establishment of mandatory pipeline capacity trading regime, preferably supported by quantitative evidence?

29. What are the practical issues associated with mandatory UIOSI, UIOLI and auction mechanisms?

30. What entity would be the most appropriate to operate a trading platform or auction process?

Jemena cautions against the introduction of a capacity trading regime which mandates the release of all unused capacity. Jemena's view is that such a regime would impinge on the contractual rights and flexibility of shippers and pipeliners, and is therefore not appropriate.

Jemena considers that a preferable alternative would be a voluntary capacity trading platform. This would allow shippers to choose to offer up any amount of unused capacity, including a right to choose not to offer up any capacity if they so desire. Jemena considers a voluntary trading platform would be more appropriate as it would enable shippers to choose to avoid the costs of participating in a trading market. For some shippers, such as smaller industrial customers, the costs (especially IT infrastructure costs) and risks of participating in a trading platform may exceed the benefits, so the option to not participate would be important for them.

Additionally, it is likely that existing pipelines will need to change their systems to accommodate frequent capacity trading. As detailed above, such changes are likely to impose significant costs on Jemena, which would ultimately be passed on to customers (subject to contractual pass-through arrangements).

Jemena does not believe that a significant market intervention, such as the introduction of a mandatory capacity trading scheme, can be justified.

As explained above, Jemena also considers that there would be a practical issue with either of the mandatory trading schemes proposed, around the treatment of park services. The mechanism used by a mandatory trading regime which determines the quantity of capacity required to be sold by pipeliners or shippers would need to take into account the capacity used by shippers for parking services, in addition to the capacity used under their maximum daily quantity (**MDQ**) nominations. For example, a shipper may use a park account to manage their gas portfolio when trading between states, due to differing gas day times or nomination intervals. It would interfere with the contractual rights of shippers to effectively take and re-sell the capacity they have paid for, and would also limit the ability of shippers to manage their positions in short term markets. Therefore, a mechanism which prescribes the amount of capacity that must be offered up would have to consider capacity used by parked gas (in addition to providing for intra-day nominations by firm shippers, as identified in the RIS).

**Assessment of options**

Taking into account the likely costs, benefits, risks and advantages that Jemena considers would apply to each proposed option, Jemena supports the proposal in the RIS that option 1, the status quo, be maintained. Jemena supports the conclusion that there appears to be little justification for changes to the way secondary capacity is currently traded, and considers the status quo reflects the views and interests of both Jemena as a pipeliner and of shippers who are apparently satisfied with current arrangements.

The efficient use of pipeline infrastructure is important and desirable in the context of building efficient natural gas markets, however Jemena believes it unlikely that the adoption of options 2, 3 or 4 would deliver a material net benefit. In Jemena's view, none of these options is warranted in current circumstances, and their implementation could impose additional costs and risks for pipeliners and shippers.

Market participants already have an incentive to sell unused capacity, with shippers able to trade capacity with third parties through bilateral agreements, and pipeliners offering as-available capacity. Both shippers and pipeliners can, and do, undertake such transactions where demand for this capacity exists, and Jemena does not believe that there are barriers, other than a lack of demand, to more of these transactions occurring.

Jemena therefore considers that maintaining the status quo is appropriate, until such time as there is clearly an unmet demand for unused pipeline capacity, and that any proposal to address such an issue would deliver a net benefit to Australia's natural gas markets.

Jemena supports a future review to assess the level of demand for and supply of unused capacity at the Wallumbilla Gas Supply Hub, and would welcome the opportunity to be involved in any policy consultation processes which may arise from such a review. However, Jemena believes it would be more appropriate for this review to take place after the Wallumbilla Gas Supply Hub has been operational for a period of three years. Jemena also believes that it would be appropriate for a party other than the Australian Energy Market Operator, such as the Australian Energy Market Commission, to undertake this review.

**Short and long-term implications of options**

| | Short-term implications | Long-term implications |
|---|---|---|
| *Option 1: Status Quo* | *Significant implications:*<br>• Lower haulage charges (compared to potential charges under other options) for shippers<br>• Shippers able to access as-available and other low priority services for the use of interruptible non-firm capacity haulage<br>• Information continues to be provided through National Gas Bulletin Board<br><br>*Less significant implications:*<br>• Avoids adding complexity to newly established STTM markets in different jurisdictions where new trading behaviours are still being observed | *Significant implications:*<br>• Lower haulage charges passed on to consumers<br>• Shippers able to consider future capacity requirements and rationalise load voluntarily |
| *Option 2: Information Provision* | *Significant implications:*<br>• Pipeliners may face increased risk, depending on the level of information accuracy required and the liability arrangements for inaccurate information | *Significant implications:*<br>• Costs incurred by pipeliners from the provision of improved information could result in higher prices for consumers<br>• Standardisation of contracts could erode points of differentiation and reduce pipeliner innovation |

| | Short-term implications | Long-term implications |
|---|---|---|
| *Option 3: Voluntary Trading Platform* | *Significant implications:*<br>• Potentially limited use of a voluntary trading platform could be insufficient to justify costs of increased complexity and any data requirements, as as-available and other low priority services continue to provide shippers with interruptible non-firm service offerings throughout the year<br>• Recovery of any costs incurred by pipeliners could be an issue under current contractual arrangements with shippers<br>• Standardisation of contracts can reduce shipper flexibility | *Significant implications:*<br>• Standardisation of contracts can erode points of differentiation and reduce pipeliner innovation |
| *Option 4A: Use-it-or-lose-it* | *Significant implications:*<br>• Potentially negative impact on the value and rights of contracted storage services and associated intra-day rights, reducing the flexibility shippers use to manage their gas portfolios<br>• Increased costs and complexity for pipeliners | *Significant implications:*<br>• Standardisation of contracts may erode points of differentiation and reduce pipeliner innovation |
| *Option 4B: Use-it-or-sell-it* | *Significant implications:*<br>• Negative impact on short-term operational control and flexibility from a pipeliner's perspective<br>• Negative impact on the value and rights of contracted storage services and associated intra-day rights<br>• Increased costs and complexity for pipeliners and shippers | *Significant implications:*<br>• Concerns over sovereign risk may negatively impact pipeline investment, hampering the efficient development of infrastructure in Australia's gas markets<br>• Standardisation of contracts may erode points of differentiation and reduce pipeliner innovation |

**Appendix A – CONFIDENTIAL**

## Appendix B – Standard terms and conditions of service permitting capacity trading – QGP

Section 12 of the Standard terms and conditions of service for the Queensland Gas Pipeline is shown below. The complete document is published on Jemena's website.

### 12 TRADING RIGHTS UNDER THIS AGREEMENT

### 12.1 Right to trade or assign capacity

A Shipper for Firm Gas Transportation Services can deal with third parties in relation to its rights under this Agreement for the Pipeline in two ways:

(a) by *trading* some or all of its rights to its Contracted Capacity under this Agreement (**'Traded Capacity'**) to a Other Shipper or Prospective Shipper, resulting in an agreement between the Shipper and the other Shipper or Prospective Shipper, but with the Shipper remaining wholly responsible to the Transporter for the entire MDQ. This is known as a **'Bare Transfer'**; or

(b) by *assigning* some or all of its rights to its Contracted Capacity under this Agreement (**'Assigned Capacity'**) to a Other Shipper or a Prospective Shipper, resulting in an amendment to this Agreement and a separate agreement being entered into between the Transporter and the Other Shipper or Prospective Shipper (as the case may be) acquiring the rights to the Assigned Capacity.

### 12.2 Trading Capacity

(1) Subject to clause 12.7, the Shipper can only effect a Bare Transfer to a Other Shipper or Prospective Shipper if:

> (a) the Shipper has issued a Notice to the Transporter that it intends to effect a Bare Transfer within a reasonable time of such Bare Transfer taking effect;
>
> (b) the Shipper's obligations under this Agreement remain in full force and effect for the Period of Supply;
>
> (c) notwithstanding the Bare Transfer, the Shipper remains responsible to the Transporter for the performance and observance of all of its obligations under this Agreement; and
>
> (d) the Shipper acknowledges that any capacity transferred under a Bare Transfer can only be for a capacity which the Shipper actually has an entitlement to be transported. For example, where the Shipper's Confirmed Nomination is less than its MDQ, it will only be entitled to transfer the whole or a portion of its Confirmed Nomination.

(2) Subject to clauses 11.1 and 12.7(a), the Shipper does not need to obtain the Transporters' prior consent to effect a Bare Transfer.

### 12.3 Effecting Bare Transfer

(1) The Shipper may negotiate with other Shippers or Prospective Shippers the terms on which it will effect a Bare Transfer but pursuant to clause 12.2 the obligations of the Shipper (seeking to effect a Bare Transfer) to the Transporter shall remain unchanged by any Bare Transfer.

(2) The Transporter will assist Shippers to effect Bare Transfers by allowing them to post offers to buy or to sell Traded Capacity on the Web Site.

## 12.4 Assigning Capacity

Subject to clauses 12.6 and 12.7(b), the Shipper may assign its rights and obligations to all or part of its Contracted Capacity under this Agreement provided that the Shipper:

(1) negotiates in good faith with any Prospective Shippers;

(2) obtains the Transporter's prior written consent to the assignment;

(3) obtains agreement from the Other Shipper that it will assume the rights and obligations of the Shipper in relation to the Assigned Capacity;

(4) requires the Other Shipper who will assume the rights and obligations of the Shipper to enter into an agreement in relation to the Assigned Capacity on such terms and conditions as are reasonably agreed to by the Transporter;

(5) obtains agreement from the Transporter to amend this Agreement to reflect any changes arising from the Assigned Capacity, which amendments will be on terms acceptable to the Transporter in its sole discretion; and

(6) the Shipper pays the Transporter's costs of drafting any agreement (including a variation to this Agreement) required or provided for by this clause.

## 12.5 Assigning to Prospective Shippers

(1) From time to time the Transporter may try to reorganise Capacity by giving written Notice to each shipper requesting that it assign any unutilised Contracted Capacity that the Shipper no longer requires (**'Shipper's Spare Contracted Capacity'**).

(2) A Notice issued in accordance with clause 12.5(1) will require each shipper to:

> (a) provide a written response to the Transporter within 30 Days of the Notice (**'Shipper's Spare Contracted Capacity Notice'**);
>
> (b) nominate the quantity of the Shipper's Spare Contracted Capacity; and
>
> (c) nominate when the Shipper's Spare Contracted Capacity will be available and the receipt points and delivery points.

(3) Upon receipt of a Shipper's Spare Contracted Capacity Notice, the Transporter will:

> (a) allow the relevant shipper to post offers to assign its Shipper's Spare Contracted Capacity on the Web Site;
>
> (b) provide to the relevant shipper the contact details of the Prospective Shippers registered on any queue formed for Capacity.

(4) The shipper with Spare Contracted Capacity will negotiate in good faith with Prospective Shippers with a view to assigning the Shipper's Spare Contracted Capacity to a Prospective Shipper on at least the same terms and conditions that apply under the relevant gas transportation agreement.

## 12.6 Giving Consent for Assigned Capacity

(1) Where clauses 12.4 or 12.5 applies, the Transporter may:

(a) withhold consent (by refusing to enter into an agreement in relation to the Assigned Capacity and/or to amend this Agreement) in its sole discretion, including having regard to commercial or technical reasons; and

(b) make its consent, in its sole discretion, subject to conditions.

(2) Without limitation, it is a reasonable commercial condition for the Transporter to ensure that it will receive from the assignee of the Assigned Capacity revenue of at least the same economic value as it would have received from the Shipper before the assignment of the Assigned Capacity and that the assignee will satisfy the credit requirements of clause 21.

### 12.7 Shipper's rights to change Delivery Points or Receipt Points

Subject to clause 11, the Shipper may:

(a) effect a Bare Transfer to a Other Shipper or Prospective Shipper who requires that the Traded Capacity be provided between different Receipt Points and/or Delivery Points to those of the first Shipper; or

(b) assign its rights and obligations to all or part of its Contracted Capacity under this Agreement to a Prospective Shipper who requires that the Assigned Capacity be provided between different Delivery Points or Receipt Points to that of the first Shipper;

but a Bare Transfer on terms described in paragraph (a) above or assignment under this clause 12 is not effective unless the Transporter gives its prior consent to it in writing.

### 12.8 Transporters' consent required

(1) The Shipper may propose to extend or shorten its Path by giving the Transporter at least 30 Days Notice (or such shorter period as the Transporter may agree) in writing of the proposal for the variation of Receipt Points and Delivery Points.

(2) The Transporter does not have to consider a variation under this clause 12.8 more frequently than once every three Months and the Transporter's consent is also subject to clause 12.9.

### 12.9 Giving consent

(1) Where clause 12.8 applies, the Transporter may in its sole discretion:

(a) withhold consent (including having regard to commercial or technical reasons); and

(b) make its consent subject to conditions, (including having regard to commercial or technical reasons).

(2) Without limitation, it is a reasonable technical reason to withhold consent if the reduction in the amount of the Service provided to the original Delivery Point will not result in a corresponding increase in the Transporter's ability to provide the Service to the alternative Delivery Point.

(3) Without limitation, it is a reasonable commercial reason to withhold consent if the Transporter is not satisfied that it will receive at least the same amount of revenue as it would have received before the change and the transferee or assignee (as the case may be) will satisfy the credit requirements of clause 21.

## Appendix C – Standard terms and conditions of service permitting capacity trading – EGP

Section 11 of the Standard terms and conditions of service for the Eastern Gas Pipeline is shown below.

### 11. TRADING RIGHTS

#### 11.1 Rights to trade or assign capacity

(a) The Shipper may deal with third parties in relation to a Service:

(i) by trading some or all of the Shipper's Contracted Capacity in accordance with clause 0, resulting in a new agreement between the Shipper and another shipper; or

(ii) by assigning some or all of the Shipper's Contracted Capacity to a Prospective Shipper in accordance with clause 0, resulting in an amendment to this document and a new agreement between the Service Providers and the prospective Shipper that is acquiring that capacity.

(b) For avoidance of doubt and notwithstanding anything else contained in this document, the Shipper may not trade (under clause 0) or assign (under clause 0) any of its rights or obligations in relation to the Premium Park Service, Firm Park Service or As-Available Park and Lend Service or any Other Service except to the extent specified in an Annexure.

#### 11.2 Trading capacity

(c) The Shipper can trade some or all of its Contracted Capacity (the capacity the Shipper trades is referred to in this document as **Traded Capacity**) by entering into a new agreement with another shipper or Prospective Shipper (**Bare Transfer**).

(d) The Shipper can only effect a Bare Transfer of traded capacity if:

(i) it has provided the Service Providers reasonable notice of its intention to undertake a Bare Transfer;

(ii) its obligations under this document, including its obligations to pay Service Charges in respect of Service provided to the Shipper by the Service Providers in respect of the Traded Capacity, remain in force after the trade for all Contracted Capacity including the Traded Capacity; and

(iii) this document is not changed because of the Bare Transfer.

(e) The Shipper does not need the Service Providers' consent to effect a Bare Transfer.

## 11.3 Assigning capacity

(f) The Shipper can assign some or all of its Contracted Capacity (the capacity the Shipper assigns is referred to in this document as **Assigned Capacity**) by:

(i) negotiation in good faith with any Prospective Shippers notified to the Service Providers;

(ii) obtaining the Service Providers' consent to the assignment, such consent not to be unreasonably withheld or delayed;

(iii) agreeing with any Prospective Shipper that it will assume that Shipper's rights and obligations under this document in relation to the Assigned Capacity or, at the Service Providers' discretion, requiring the Prospective Shipper to enter into a Gas Transportation Agreement in relation to the Assigned Capacity on the same terms and conditions as this document;

(iv) requiring that the Prospective Shipper satisfies the requirements set out in clause **Error! Reference source not found.** of this document;

(v) implementing the changes to the MDQs, Receipt Points and Delivery Points and to the Paths between them; and

(vi) implementing the changes to the Service Charges applicable to the Receipt and Delivery Points.

(g) The Service Providers do not have to consent to an assignment of capacity by the Shipper unless the Shipper has complied with each of the steps outlined in this clause 0.