



**Australian Pipelines
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Dr Michael Vertigan AC
Examination of the current test for the regulation of gas pipelines

via email: dwayne.purdy@environment.gov.au

Dear Dr Vertigan

Re: APGA submission

Please find attached the APGA submission to your review of the ACCC recommendations regarding the pipeline industry that emanated from its inquiry into the East Coast Gas Market.

Briefly:

- The ACCC's findings of monopoly pricing in pipeline capacity markets are flawed.
- The objective of the coverage test is to regulate only in circumstances where competition in upstream and downstream markets cannot be promoted without it and to do so leads to more efficient outcomes
- The existing coverage criteria are clearly capable of achieving this objective
- Over \$10 billion has been invested or committed over the last 15 years in new pipelines and interconnections and enhancement of existing pipelines, opening up new upstream and downstream markets
- One of the key cornerstones for both domestic and international investor confidence in infrastructure investment is stability in the regulatory regime with appropriate checks and balances. The ACCC's proposal would create instability by upsetting the balance provided by the existing test and exposing investors and consumers to long-term unintended consequences
- Although we believe the ACCC's findings are flawed, we acknowledge there is a perception of problems with the existing access regime.
- The changes proposed by the Commonwealth to the National Access Regime could be extended to the Gas Access Regime. And this would go some way to addressing perceptions of problems with the existing regime. More importantly, it would keep the benefits that come from alignment with the National Access Regime.
- Reforms proposed by the AEMC – introduction of capacity auctions and enhanced capacity trading – will increase competition in pipeline capacity markets and assist in addressing perceptions of pipeline market power.

We trust our submission is helpful. Please feel free to call me any time on 0149996066 or our National Policy Manager, Steve Davies, on 0433833247.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Cheryl Cartwright', is written over a light blue horizontal line.

Cheryl Cartwright
Chief Executive