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COAG Energy Council Secretariat
Canberra ACT 2601
GPO Box 787

Submitted via email: gas@environment.gov.au

Options to improve gas pipeline regulation – Regulatory impact statement

Alinta Energy appreciates the opportunity to provide a submission to the COAG Energy Council on options to improve gas pipeline regulation.

Alinta Energy is an active investor in gas markets across Australia:

- Alinta Energy's gas-fired generation portfolio includes its Braemar Power Station facility in the Queensland region; Pinjarra Power Station and Wagerup Power Station in the south-west of Western Australia; and Port Hedland Power Station and Newman Power Station in the north-west of Western Australia.
- Alinta Energy is a participant in all east-coast gas trading mechanisms - the Short-Term Trading Market, Pipeline Capacity Trading and Day Ahead Auction, the Victorian Declared Wholesale Gas Market, and the Wallumbilla Gas Supply Hub.
- Alinta Energy is a part owner of the Goldfields Gas Transmission Pipeline and owns an approximately 150km gas pipeline in Queensland serving the Braemar Power Station.

Existing Balance of Regulatory Framework

Alinta Energy considers that commercial arrangements, in the first instance, are best managed by private negotiation and settlement between service providers and shippers. However, in practice, and regardless of whether pipeline is covered under the NGL or not, at times negotiations can be one sided and challenging given the relative monopoly of pipeline operators in East-Coast markets¹.

In commercial negotiations, at both the distribution and transmission level, incentives do exist to facilitate agreement on both terms and price. Nonetheless, as a growing competitive retailer in East Coast markets, Alinta Energy must obtain services from pipeline operators to service its customer base and compete with other retailers. Even in instances of seeking services from fully regulated east coast pipelines with pre-determined tariffs, the terms and conditions can be weighted in favour of the service providers.

¹ In Alinta Energy's experience there is little to no imbalance in negotiating arrangements between shippers and pipeline network service providers in West Coast Markets.

For example, on both covered and uncovered east coast pipelines, terms and conditions can at time act to limit access to delivery points, increase prices of overrun and imbalance charges, hold retailers as financially responsible for force majeure, indemnity, metering errors, and requiring unnecessarily long "standard" contract durations. When viewed collectively, such terms and conditions can act to undermine the value of the service sought.

Broadly speaking, a rebalancing of the regulatory framework which acts to standardise certain terms and conditions across pipelines and jurisdictions would reduce regulatory costs and rebalance the negotiation position of shippers with east coast gas transport service providers. This implies a blend of the options 2 and 3 considered throughout the regulatory impact statement.

Reform Principles

Apart from those pipelines covered under the full regulatory framework, historically, there has been a lack of transparency around the appropriate rates of return for pipeline services.

In designing information and financial reporting guidelines, Alinta Energy considers that the following three reform principles should be applied:

1) Provision should be made to allow for information disclosure only in response to legitimate access requests that meet certain characteristics

Whilst Alinta Energy is supportive of information transparency measures which improve the ability of participants to contract effectively, care must be taken to ensure that reforms are not unduly burdensome or costly to comply with. The cost of compliance should always be balanced against the value these reforms would provide to the market.

Notwithstanding the commentary above, Alinta Energy is not convinced about whether there are material benefits in imposing wide ranging and potentially onerous information disclosure requirements across all light and part 23 regulated pipelines unless there are bona-fide access requests.

Provision should be made in the rules to remove broad-based ongoing reporting requirements for part 23 and light regulation pipelines that are not experiencing bona-fide access inquiries from shippers and only require information disclosure in response to a legitimate access query².

This proposal would require a mechanism to ensure that access inquiries are legitimate, reasonable and do not contain confidential information. Further, any information requests would need to be responded to in a timely manner to ensure that the intent of the broader information disclosure regime is not diluted.

² To be clear, covered pipelines currently subject to full regulation should remain subject to reporting requirements going forward. This comment is in relation to part 23 and light regulation pipelines only.

2) Exemption Criteria under part 23 framework should be maintained under future regulatory regime reforms

Alinta Energy is strongly of the view that the exemption criteria as outlined under the existing part 23 regulations should be maintained under future regulatory frameworks. As currently drafted, part 23 exemptions are provided on the basis of not providing third party access as well as lateral pipelines and/or below specified size thresholds.

In Alinta Energy's view the costs associated with information disclosure and/or being subject to capacity trading mechanisms (in the East Coast) for small pipelines or pipelines supplying a single shipper would outweigh any potential benefit to the wider market. As such, going forward pipelines already exempt under part 23 should remain exempt under any new regulatory regime.

3) Alinta Energy considers that an appropriate information disclosure regime should provide prospective access seekers with sufficient information to increase their understanding and interpretation to facilitate increased gas transportation agreements

Whilst recent regulatory developments have increased the provision of financial information to empower shippers in negotiations, each of the current levels of regulation (full, light and part 23) requires a different level of information disclosure and subsequent negotiating processes. In practise, at times this level of information can be time consuming and challenging to correctly interpret by prospective shippers.

In seeking to achieve a consistent information disclosure approach, Alinta Energy believes that wherever possible, key terms, reporting terminologies, methodologies, and even worksheet layouts should be merged and standardised. Alinta Energy would expect large efficiency gains if the reporting obligations under light and part 23 regulation were amalgamated.

Please contact me via email: jacinda.papps@alintaenergy.com.au or by phone 08 9486 3009 if you have any queries in relation to this submission.

Yours sincerely,



Jacinda Papps
Manager, National Wholesale Regulation