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Mr Andrew Pankowski
Director, Gas Policy
Department of the Environment and Energy
GPO Box 787
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Dear Mr Pankowski

COAG Consultation RIS – Measures to Improve Transparency in the Gas Market

Thank you for the opportunity to make a submission regarding the above COAG consultation Regulation Impact Statement (RIS).

The RIS considers a number of recommendations presented in recent reviews carried out by the Australian Energy Market Commission (AEMC), Gas Market Reform Group (GMRG) and the Australian Competition and Consumer Commission (ACCC). The ACCC welcomes the opportunity to comment on the options being considered by the COAG Energy Council to improve gas market transparency.

The ACCC agrees with the information deficiencies that have been identified throughout the RIS. While it is difficult to quantify the effect of these information deficiencies, they are adversely affecting the efficient operation of the market and the efficiency with which gas, infrastructure services and other resources are allocated because they:

- limit the ability of the market to provide timely and accurate indications about how well it is functioning (including signalling any potential problems with the supply-demand balance for gas, transportation, compression and storage services) and, in so doing, hinder the ability of the market to respond efficiently to changing market conditions
- impede effective competition and the efficient trade of gas and infrastructure services by:
 - hindering the price discovery process
 - imposing relatively high search and transaction costs on parties
 - increasing the degree of information asymmetry and imbalance in bargaining power that users can face when negotiating with producers, retailers and infrastructure service providers
- result in inefficient decisions about consumption, production and the use of infrastructure services and longer-term investment decisions because these decisions must be made on the basis of incomplete, inaccurate or asymmetric information.

These information deficiencies constitute a market failure that requires government intervention as it is not in the commercial interests of most market participants to provide this information on a voluntary basis, or to disclose it in a timely and accurate manner.

The ACCC supports the policy options outlined in option 3 across the various chapters, which seek to implement many of the joint recommendations of the ACCC and GMRG as well as measures recommended by AEMC. The ACCC is of the view that these measures will address the key information deficiencies identified. In contrast, option 2 would leave critical gaps in the information available to market participants.

The ACCC also supports a number of the measures considered in option 4, for the reasons outlined below:

- The publication of information on gas swaps: Gas swap arrangements can enable market participants to overcome capacity constraints and reduce transportation costs. Locational gas swaps are currently a key determinant of flows of gas from the Cooper Basin, and as a result are facilitating greater competition in gas supply in the Southern States. Transparency of gas swaps will increase market participants' visibility of the impact these arrangements are having on supply and demand.
- The publication of information on secondary trades of storage capacity: Declining production in the Southern States is likely to increase demand for gas storage services, particularly to meet higher winter demand. Increased transparency in the secondary market for storage will better inform buyers participating in both the primary and secondary markets.
- The materiality threshold change: The ACCC supports refining the materiality threshold to ensure that smaller facilities report variations in capacity or nominations that affect a significant proportion of capacity.
- Require LNG exporters to report on demand-supply balance to AEMO for publication in the GSOO: This reporting will improve the quality of the GSOO and better inform both market participants and governments. As this replicates information that is currently published by the ACCC, this reporting requirement should commence once the ACCC inquiry ceases.

The ACCC does not support other measures proposed in option 4 at this time.

Additionally, the ACCC has provided comments to a limited number of questions posed by the consultation RIS in the attached table.

Finally, as you are aware, the Australian Government recently announced that the ACCC gas market inquiry would be extended to 2025. One of the objectives of the inquiry is to improve the transparency of gas supply arrangements and support the efficient operation of the market. To achieve this, the ACCC will continue to publish an LNG netback price series and monitor and publish information on GSAs with a term of at least one year and an annual contract quantity of at least 0.5 PJ. In order to prevent duplication of reporting and additional compliance costs for industry the ACCC recommends that the AER's responsibilities in this area commence at the conclusion of the ACCC inquiry.

Yours sincerely



Nicole Ross
General Manager
ACCC Gas Inquiry Unit

1. Bulletin Board

Number	Questions	Feedback
1	Box 2.3 describes the purpose of the Bulletin Board. If the transparency measures outlined in this Consultation RIS are implemented, do you think that the purpose of the Bulletin Board should be further clarified (e.g. to capture both domestic and export oriented activities)? If yes/no please explain.	No, the ACCC does not support further changes to the stated purpose of the Bulletin Board at this time. The existing purpose is sufficiently broad to capture the additional reporting that has been proposed.

2. ACCC recommendations on reserves and resources reporting framework

Number	Questions	Feedback
2	As noted in Table 3.3, the ACCC has recommended that annual movements in 2P reserves be reported. Do you think: (a) an additional category of 'pricing' should be included to capture reserve adjustments due to changes in gas price assumptions? (b) reserves upgrades and downgrades should be combined into a single category?	a) No, an additional category of 'pricing' is not required because it is captured in reserves upgrades and downgrades, and the sensitivity of reserves to price changes is already being captured (i.e. through the requirement to report on the effect of a +/-10% change in price on 2P reserves). b) No, the ACCC remains of the view that this should be reported separately because it would provide a better insight into what is happening at a field level. This view was supported by stakeholders in the ACCC's consultation process.
3	As noted in Table 3.3, the ACCC has recommended that reserves and resources be reported on a field level. How do you think the term 'field' should be defined for this purpose? For example, do you think it should be defined by reference to a permit, or is greater guidance on how tenures are to be grouped into a field assist? Alternatively, do you think there should be a standard or requirement for naming fields? Please explain your response to this question.	The ACCC supports the definition set out in our final recommendations. This defined a gas field as "an area consisting of one or more reservoirs over which the right to explore for, extract, recover or process petroleum has been granted", and required that producers report "the location of the field [and] the permit number associated with the field".

3. Demand for gas

Number	Questions	Feedback
27	Do you think that Northern Territory LNG facilities should be included or exempt from reporting the proposed operational and shipment information? Please explain your view.	Although the two Northern Territory LNG projects are export-focused at this time, the ACCC notes that both projects can supply gas to the domestic market. In addition, the Ichthys LNG project may also receive gas from the domestic market. Given these potential interactions with the domestic market the ACCC is of the view that it is not appropriate to exempt these facilities from reporting.

4. Infrastructure used to supply gas to end-markets

Number	Questions	Feedback
38	Do you agree that the requirement for entities to provide information on gas infrastructure developments should cover both 'proposed' and 'committed' developments set out in section 7.3? If not, please explain why.	Yes, information on both 'proposed' and 'committed' gas infrastructure developments should be reported. As noted in the RIS, requiring the reporting of information in relation to 'proposed' developments in addition to 'committed' developments has a number of benefits including encouraging more efficient outcomes during the planning stage and providing both policy makers and market participants with a better outlook of long term infrastructure availability.

5. Competition Effects Analysis

Number	Questions	Feedback
63	Do you agree with the proposed approach to qualitatively assess the competition implications of each policy option described in this RIS paper? If not, please explain why.	The ACCC agrees with the approach outlined in the RIS. It is worth noting that if not carefully implemented additional transparency risks facilitating coordinated conduct and in fact decreasing competition. The ACCC recommendations include a number of features to minimise this risk, including requiring that firm level information be appropriately aggregated.