

27 September 2019

COAG Energy Council
Consultation RIS – Gas Transparency
Via email gas@environment.gov.au

To whom it may concern

Consultation RIS – measures to improve transparency in the gas market

Australian Gas Infrastructure Group (AGIG) welcomes the opportunity to make this submission to the Consultation Regulation Impact Statement (RIS) on gas market transparency (the Consultation RIS). The Consultation RIS is an opportunity to build on reforms to date, particularly the significant transparency reforms already undertaken for gas pipelines.

After introducing AGIG this letter will provide a brief overview of our views on certain aspects of the Consultation RIS. Attachment A provides detailed responses to some of the questions in Consultation RIS using the Stakeholder feedback template.

About AGIG

AGIG is one of the largest gas infrastructure businesses in Australia. We serve over 2 million customers across every mainland state and the Northern Territory through 34,000km of distribution networks, more than 3,500km of transmission pipelines and 42 petajoules of storage capacity.

Pipeline transparency

We welcome the intent of the RIS to improve information available to customers. The RIS comes on top of a number of recent reforms for gas pipelines which have significantly increased market transparency. These recent reforms include:

- the introduction of Part 23 of the *National Gas Rules* (NGR) improving transparency for non-scheme pipelines; and
- the Australian Energy Markets Commission's (AEMC) review of Parts 8 to 12 of the NGR which recommended additional transparency for full and light regulation pipelines.

These reforms should be given sufficient time to become familiar to service providers and customers, and to achieve results.

The proposals in the Consultation RIS include further reforms with implications for pipelines. In many cases these concern improving the consistency of reporting across asset types (pipelines, storage and standalone compression) and across states and territories (specifically adding the Northern Territory to Gas Bulletin Board (GBB) and Gas Statement of Opportunities requirements), which we support.

However, the proposals for additional reporting requirements for 'proposed' and 'committed' infrastructure developments raise some concerns.

Requiring reporting of 'proposed' facilities as defined in Box 7.2 could require projects which have not been announced publicly to report to the GBB. This will risk confidential and/or planning information being released to competitors before the 'proposed' facility has been assessed through established procedures within regulatory and market frameworks, and perhaps most importantly a final investment decision of the proponent.

We therefore suggest that the requirements for proposed developments be adjusted. 'Proposed' developments should be limited to those that have been approved and publicly announced as a threshold criteria and meet one or more of the other criteria. This approach will achieve the objective whereby a number of additional developments will be reported to the GBB, while maintaining the confidentiality of projects where these are not ready for public disclosure.

Broader gas market transparency

We welcome the additional focus of the Consultation RIS on efforts to expand transparency in other elements of gas markets. We support expanding the transparency provisions of the NGR to include production, large users and retailers in various capacities as outlined in the Consultation RIS.

However, we believe more consideration should be given to transparency to assist medium sized commercial and industrial users, including in respect of the availability and price of gas in the medium and long term.

The Australian Competition and Consumer Commission's Gas Market Inquiry has made clear that medium-sized commercial and industrial users often have only a limited pool of offers for gas available from retailers, rarely more than one or two years into the future. This is also consistent with the experience of our customers.

The reforms outlined in the Consultation RIS are likely to benefit large users and retailers with greater capacity to analyse and respond to increased regular reporting. However, small and medium sized users may not see the full benefits because of their smaller scale and more limited capacity to make use of the information reported. This gap also needs to be addressed and is discussed in the next section of this paper.

Market maker requirement

One reform not considered, which would alleviate many of the issues around the lack of transparency and appropriate retail offers for customers, is the introduction of 'market maker' obligations on retailers. Market maker obligations have been implemented in UK electricity markets by the Office of Gas and Electricity Markets, and similar arrangements are in development for Australian electricity markets.

In Australian gas markets, a market maker mechanism should require retailers to publish and make available standing forward prices for medium to long-term contracts that are available to users (for example for three or five year terms). Retailers would be free to set prices, but would be required to address some of the risks in terms of price and availability of natural gas.

Importantly, this measure would complement any requirement on gas producers to regularly publish gas production costs. That would allow customers to easily compare wholesale gas prices with gas production costs and determine the fairness or value for money of wholesale gas price offers for themselves.

We encourage the Energy Council Secretariat to consider such an approach in further detail. We consider that market maker reforms will greatly improve the operation of gas markets for our large customers.

Once again, I thank you for the opportunity to provide a submission to the Consultation RIS. Should you have any queries about the information provided in this letter please contact Drew Pearman, Manager of Policy and Government Relations (drew.pearman@agig.com.au, 0417 544 731).

Yours sincerely,



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