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APGA SUBMISSION: MEASURES TO IMPROVE TRANSPARENCY IN THE GAS MARKET

The Australian Pipelines and Gas Association (APGA) welcomes the opportunity to comment on the COAG Energy Council RIS on Measures to Improve Transparency in the Gas Market.

APGA is the industry body representing the owners, operators, designers, constructors and service providers of Australia's high-pressure gas transmission infrastructure. Australia has around 40,000km of high-pressure pipelines, with a replacement value of over \$50 billion. Gas is a critical part of Australia's energy mix, providing more end-use energy to the Australian economy than electricity.

In this submission, APGA will limit its substantive comments to the recommendations of direct relevance to gas transmission infrastructure. Of the Policy Options identified in the Consultation RIS, APGA in the main prefers Option 2: '*AEMC recommendations and sub-set of ACCC-GMRG recommendations*'.

If you would like to discuss any of these issues further, please contact APGA's National Policy Manager, Andrew Robertson on 02 6273 0577 or at arobertson@apga.org.au.

Key issues

Information on 'proposed' and 'committed' infrastructure developments

ACCC-GMRG Recommendation 5: Infrastructure Developments

"Entities developing new transmission pipelines, production, stand-alone compression, storage or LNG facilities, with a nameplate capacity of 10TJ or more, should be required to provide AEMO with information on the developments for publication on the Bulletin Board as soon as practicable after they are assessed as falling within the meaning of a 'proposed' or 'committed' development. These entities should also update the information when the development status changes".

APGA does not consider the proposed additional reporting necessary to promote efficient investment in new infrastructure. In particular, APGA strongly disagrees with the recommended requirement for pipelines to publish details of 'proposed' infrastructure developments on AEMO's Gas Bulletin Board. Mandatory disclosure of information relating to potential pipeline infrastructure developments prior to their

receiving Final Investment Decision (FID) to proceed (and with a proponent having been appointed) is problematic.

APGA's key concern is that reporting information on proposed infrastructure developments in these circumstances will only serve to create market noise and additional uncertainty in the gas market. The information is subject to change at any time – companies can and do decide against proceeding with new proposals at any point in the development process – and is therefore unreliable. In addition:

- The unreliability of this information is compounded by likelihood that multiple companies in the competitive gas pipeline sector will be considering a potential new pipeline route simultaneously.
- For example, there is currently a lot of activity around potential new pipelines to open up or further develop the Beetaloo, Galilee and Bowen basins. It is unclear which of these would be included as 'proposed' in accordance with the GMRG-ACCC recommendation.
- Requiring companies to disclose "proposed" infrastructure developments exposes them to reputational risk and hinders freedom to consider new projects and undertake necessary due diligence before making position public.

APGA considers such disclosures to be unnecessary, however, we could support the proposed requirement for pipelines to publish details of 'committed' infrastructure developments on AEMO's Gas Bulletin Board, provided that:

- A 'committed' development is clearly defined as one which has received FID to proceed;
- The development proponent has contractually committed to the development of the infrastructure, and such has been publicly announced; and
- All five commitment criteria for a "committed project" are met.

Other recommendations of direct relevance to pipeline infrastructure

ACCC-GMRG Recommendations 6, 7 and 14, and part of AEMC Stage 2 Bulletin Board Improvements (Rec D) recommend a range of incremental transparency measures relating to 'infrastructure used to supply gas to end-markets'. These recommendations cover:

- 36-month uncontracted capacity outlook for storage and stand-alone compression facilities providing third party access;
- Stand-alone compression facilities to report operational information;
- Stand-alone compression facilities and storage facilities providing third party access to publish standing prices and prices actually paid;
- A list of users with contracted capacity under storage and stand-alone compression facilities; and
- Extending the list of participants subject to Gas Bulletin Board reporting obligations under the NGL.

For the most part, APGA supports these recommendations (explained in sections 3.1 and 3.3 of the Consultation RIS) as they continue the implementation of previous market transparency reforms and further streamline market reporting. APGA notes

that proposals for providing actual prices for infrastructure facilities will be consulted on in the forthcoming Pipeline Regulation RIS and we will provide further comment as part of that process. As such, APGA considers that consideration of pricing disclosure for stand-alone compression facilities and storage facilities providing third party access should be deferred and considered concurrently with the Pipeline Regulation RIS.

Conclusions

- Overall, APGA welcomes efforts to improve transparency in the gas sector provided that these result in net benefit to consumers.
- Of the Policy Options identified in the Consultation RIS for infrastructure used to supply gas to end-users, APGA prefers in the main Option 2: *'AEMC recommendations and sub-set of ACCC-GMRG recommendations'*.
- Option 2 includes the 'committed development' aspect of GMRG-ACCC Recommendation 5 as well as most aspects of AEMC Rec D and GMRG-ACCC Recommendations 6 and 14 discussed above. Crucially, it does not include the 'proposed development' component of Rec 5.
- While Options 3 and 4 contain elements (or additional elements) of ACCC-GMRG Recommendations 6, 7 and 14 that we are comfortable with, APGA does not support Options 3 and 4 because they also include the 'proposed development' component of ACCC-GMRG Rec 5, and Rec 14 regarding prices actually paid for primary capacity (which should be considered concurrently with the Pipeline Regulation RIS).