



**ENERGY  
CONSUMERS  
AUSTRALIA**

**A** Suite 2, Level 14, 1 Castlereagh Street  
Sydney NSW 2000

**T** 02 9220 5500

**W** [energyconsumersaustralia.com.au](http://energyconsumersaustralia.com.au)

**T** @energyvoiceau

**in** /energyconsumersaustralia

**f** /energyconsumersaustralia

ABN 96 603 931 326

20 January 2020

Gas and Governance Branch  
Department of the Environment and Energy  
GPO Box 787  
CANBERRA ACT 2601

Emailed to: [gas@environment.gov.au](mailto:gas@environment.gov.au)

### **Consultation RIS – Gas Pipeline Regulation Reform**

To whom it may concern,

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the Council of Australian Governments (COAG) Energy Council in 2015, our objective is to promote the long-term interests of energy consumers with respect to price, quality, reliability, safety and security of supply.

Thank you for the opportunity to respond to the COAG Energy Council's gas pipeline Regulatory Impact Statement (RIS). Consumers are increasingly looking for assurance that the supply chain is working in a way that is delivering affordability and optimisation outcomes.

While most of the consumers we represent would not ordinarily directly contract for services on gas pipelines and distribution systems, the regulatory framework is important for many reasons. We note the important contribution that the Energy Users Association of Australia is making to this process, reflecting the feedback from large energy users who operate in this market on a daily basis.

There is a significant body of thinking and practice about how network businesses (both gas and electricity) should engage with energy consumers.<sup>1</sup> The nature of the pipelines that are regulated under the arrangements considered in this RIS mean that engagement has been limited.

We are keen to work with the COAG Energy Council through this process to consider ways to widen the debate about these issues, allowing new stakeholders to have their say. This is one of the reasons why we emphasise the need for uniform information disclosure across all different kinds of pipelines. To start this new dialogue, we would be pleased to facilitate an open discussion with the representatives of household and small business energy consumers.

#### ***Our response***

Our key three issues for the reform of markets to provide better outcomes to end use consumers are:

1. *Forms of regulation*

The framework should facilitate the development of pipelines that are efficiently sized so that there is a reasonable prospect of utilisation of pipeline capacity in the foreseeable future. It would appear that scheme pipelines have initially been sized (together with expansions of their capacity) to have no spare capacity. This has led to pipelines being developed in a way whereby:

- prospective users have to wait for additional capacity to be built; and

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<sup>1</sup> Through the [New Reg](#) process developed by the Australian Energy Regulator, Energy Consumers Australia (ECA) and Energy Networks Australia (ENA); and the ECA/ENA [Energy Networks Consumer Engagement Award](#).



- the unit price for each gigajoule of capacity to be more expensive than if additional capacity were built in the initial design of the original or expanded capacity.

While there may be varying reasons for this, the framework should be designed whereby there is an incentive for service providers to design pipelines (or expansions of pipeline capacity) so that the most efficient unit price for pipeline capacity can be offered to the market. This does not mean that pipelines could be built, and customers should be asked to pay for, capacity where there is no reasonable prospect of utilisation of pipeline capacity in the foreseeable future. This could be embodied in the principles that a dispute resolution body should apply in dealing with a dispute.

## 2. *Information disclosure requirements*

Disclosure of information should be a relatively costless change for industry and most service providers would retain similar kinds of information, regardless of what form of regulation currently applies to the relevant pipeline.

Alignment of the information disclosure arrangements for all pipelines and networks so that a consistent level of information is available for consumers and customers to enable a better assessment of efficient costs will lead to more timely access to services on pipelines and networks.

On this basis, we would support a standardised information disclosure regime for all pipelines, regardless of the capacity of the pipeline. Only a limited number of exemptions should be available, such as:

- if a pipeline is not providing third party access, it would not be subject to most of the information disclosure regime, as is currently the case; and
- if there is only a single shipper which has contracted all the capacity on the pipeline, the disclosure of pricing information would not seem to be relevant

## 3. *Negotiating frameworks and dispute resolution mechanisms*

Ensuring there is an effective negotiation and dispute resolution framework that acts as a meaningful incentive to facilitate timely negotiated outcomes will lead to more timely access to services on pipelines and networks.

There does not appear to be a sound case for adopting different frameworks for negotiation and dispute resolution for different types of pipelines.

The framework created under Part 23 of the NGR for non-scheme pipelines would appear to be the most appropriate framework that should apply to all pipelines – being scheme and non-scheme pipelines. Again, there would appear to be limited exemptions that should apply.

The only exemption from this framework that would appear appropriate is a non-scheme pipeline that does not offer third party access.

### ***What consumers are telling us***

In our [June 2019 Energy Consumer Sentiment Survey](#), consumers told us that while satisfaction with value for money of gas was either steady or up in most states and territories, confidence in the future value for money remains low.

Trust in markets is important, and consumers are telling us that their confidence that the energy market is working in their long-term interests remains low, with fewer than 4 in 10 people agreeing the market works in their long-term interest in all jurisdictions.

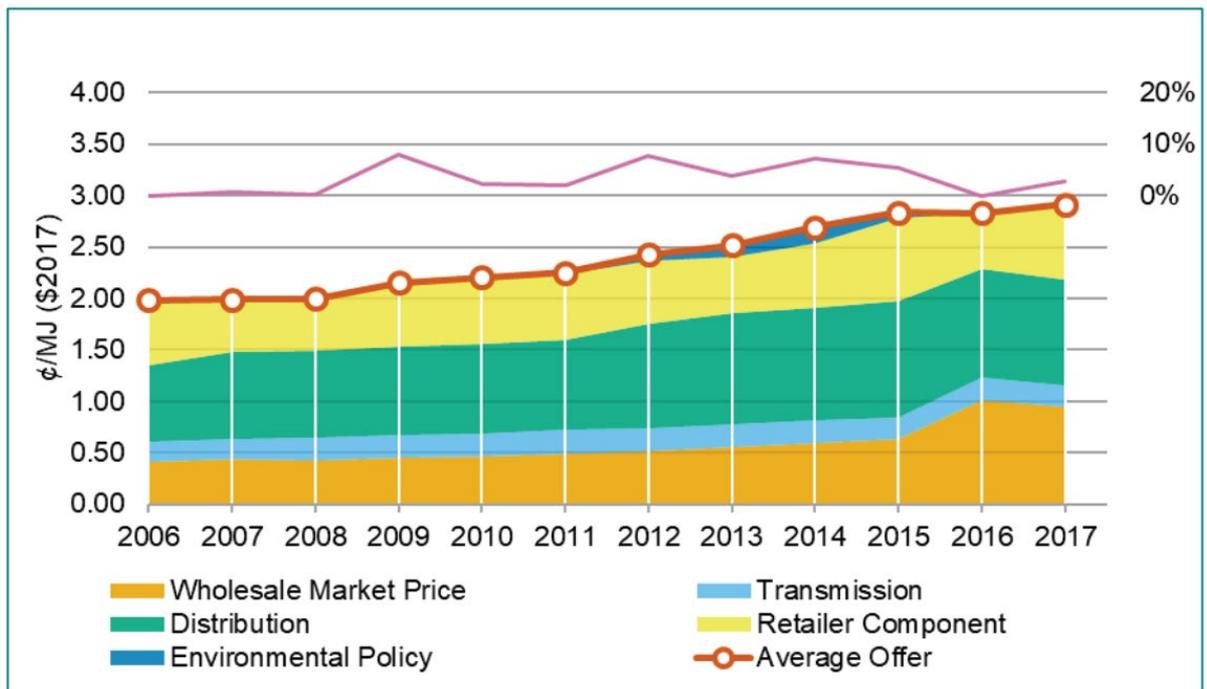


The notion of trust is even more so important in the gas market, which is opaque to small consumers and where new technologies that give consumers control are not as prevalent as in the electricity market. Consumers can only rely on retailers to apply pressure back down the supply chain to make sure they're getting the best price.

**The importance of gas pipeline regulation for household and residential consumers**

The prices paid for transportation of gas in gas pipelines and distribution systems represents a significant portion of the total delivered price of gas in the East Coast (see Figure 1 below).

**Figure 1: All jurisdictions average residential gas retail prices (\$2017)<sup>2</sup>**



With Australia’s economy transitioning towards decarbonisation in line with its international obligations, the acknowledged challenge is the role that the gas sector will play in this transition, while recognising the importance of gas to the nation’s economic well-being.

We would also want to ensure that the role the gas sector plays optimally balances what has become known by industry as the trilemma of outcomes. That is, providing ongoing, reliable and secure energy and ensuring energy is affordable and achieving cost-effective carbon reductions - from power generation, industry, transport and within the home.

Consumers think about energy sector outcomes in terms of the following principles:

- Affordability must be a constraint on investment and decisions about energy – an explicit criterion in decision making up and down the supply chain.
- Energy services must be built around individuals to reflect their unique circumstances, enabling people to easily manage their own use and costs – whether that is innovating and

<sup>2</sup> Oakley Greenwood, *Gas Price Trends 2017*, Figure 160 All jurisdictional average residential gas retail prices (\$2017), page 222. Accessed from [https://www.energy.gov.au/sites/default/files/gas\\_price\\_trends\\_review\\_2017.pdf](https://www.energy.gov.au/sites/default/files/gas_price_trends_review_2017.pdf)



engaged consumers, the majority of consumers who are focussed on affordability and costs, and consumers with vulnerabilities.

- Investment in the energy system – networks, generation and retail – must be optimised based on consumers' demands that not a dollar more is spent a day earlier than is necessary.

### ***Changes we have observed in the gas market***

When trust is low, we have an expectation that regulators are keeping a close eye on market outcomes and we see the ongoing reform of the gas market as industry getting on the front foot to deliver better outcomes.

However, we are conscious that many aspects of the framework for regulating gas pipelines are only recent additions. For example, the framework for non-scheme pipelines in Part 23 of the National Gas Rules has only been in effect for around two years. It is therefore difficult to assess the workability of the current framework based on a sound evidence base. Given the importance of the role of gas in transitioning to a carbon neutral economy, change needs to be based on strong evidence rather than as an outcome to a review.

We are also seeing industry taking its first steps towards delivering better outcomes for consumers, with several gas businesses becoming signatories to [The Energy Charter](#). The Energy Charter is a principles-based disclosure regime that can be applied to all businesses across the gas and electricity supply chains.

The guiding principles of the Charter are that customers will be put at the centre of each member's business and the energy system, energy affordability will be improved, and members will improve the customer experience. Signatories of The Energy Charter have committed to publicly disclose how they deliver against the principles of the Charter.

For transmission and distribution businesses who traditionally have not thought of households and small businesses as their consumers, The Energy Charter is helping the sector as a whole and individuals to see how they can deliver better outcomes for end-use consumers through their relationships with other gas businesses.

If you have any questions about our comments in this submission, or require further detail, please contact Shelley Ashe, Associate Director, by email at [shelley.ashe@energyconsumersaustralia.com.au](mailto:shelley.ashe@energyconsumersaustralia.com.au) or by phone on 02 9220 5514.

Yours sincerely,

Signed for and on behalf of  
Energy Consumers Australia