

COAG ENERGY COUNCIL ENDORSES RECOMMENDATIONS FROM AEMC REVIEW INTO THE SCOPE OF ECONOMIC REGULATION APPLIED TO COVERED PIPELINES

COAG Energy Council Meeting

On 10 August 2018, the COAG Energy Council considered the recommendations proposed by the AEMC with most to be progressed immediately through changes to the National Gas Rules (NGR) and others pending further work by the Senior Committee of Officials (SCO) on light regulation, Part 23 and the coverage test.

Expected outcomes

These rule changes, expected to be implemented through the [AEMC's expedited rule change process](#), will make improvements to the treatment of pipeline expansions and extensions, access arrangements, cost determinations and the information available to users of regulated pipelines.

The changes are expected to place greater constraint on the use of market power by pipeline owners and, as gas shippers seek to negotiate new gas transport contracts, make it easier and less costly to move gas on regulated pipelines, placing downward pressure on gas prices.

Next steps

A staged approach will be taken to implement the AEMC's recommendations. Further information on how the recommendations will be progressed can be found [here](#).

Council have **tasked** the SCO to commence development of a COAG Regulation Impact

Statement (RIS) to consider and develop further options for rule and law changes. It will draw on the large amount of existing material examining pipeline regulation and the tests and governance arrangements used to determine whether a pipeline should be regulated and the form of regulation that should apply. The timing and scope of the RIS is to be developed by the end of 2018 by the Gas Major Project Implementation Team.

The RIS will also aid in informing a review of the Part 23 Information Disclosure and Arbitration Framework (commencing August 2019).

If required, a further package of law and rule changes will be provided to the Council as soon as possible after completion of the RIS and Part 23 Review.

Review Background

In August 2016, the Council requested the AEMC to conduct a review in response to the ACCC concerns that pipelines subject to full regulation may still be able to exercise market power.

The final report includes 32 recommendations to amend the National Gas Law and Rules, which are intended to improve full and light regulation and deliver better outcomes for pipeline users and gas consumers. The final report also recommended a further review be undertaken to look at the test for regulation, the number and forms of regulation that should apply to pipelines and the governance arrangements. The final AEMC report was published on 3 July and is available on their [website](#).