



South East Australia Gas Pty Ltd

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18 October 2016

Dr Michael Vertigan
Independent Chairman
Gas Market Reform Group
By email: energycouncil@environment.gov.au

Dear Dr Vertigan

Consultation Paper - Examination of the current test for the regulation of gas pipelines

I refer to the above Consultation Paper of 4 October 2016 and the preceding gas market reports prepared by the Australian Competition and Consumer (ACCC)¹ and Australian Energy Market Commission (AEMC)².

The SEA Gas pipeline system connects Western Victoria with South Australia and is part of the East Coast Gas Market.

SEA Gas' commercial operations began in 2004 and since then we have seen significant change to the South Australian and Victorian gas markets. Changes to government electricity and gas policies in both states, gas exports from Queensland, rising wholesale commodity prices and customers managing their gas portfolios across multiple basins and pipelines. All of these factors have dramatically impacted the volatility of gas demand along our system.

Also, SEA Gas has seen a number of changes to regulated markets. We have participated in the development of Short Term Trading Market and Bulletin Board requirements. We note the AEMC's proposed changes with Capacity Auctions and enhanced Capacity Trading and are ready to work through these proposals to ensure the new requirements work with our obligations to customers.

Being an unregulated pipeline SEA Gas keeps a watching brief on regulatory matters. SEA Gas operates in an environment with other pipeline and electricity infrastructure competing in the same market, as do other east coast pipeline assets. SEA Gas has concerns about the recommendations of the ACCC report. We are of the view that the proposed changes are the result of a perception that there is a problem within the existing access regime and we do not believe this to be the case. This matter needs to be fully explored.

¹ ACCC East Coast Gas Inquiry Report – April 2016

² AEMC Eastern Australian Wholesale Gas Market and Pipelines Framework Review: Stage 2 Final Report – May 2016

SEA Gas believes the proposal to change the coverage test would add substantial compliance costs to our business, would likely be detrimental to future pipeline investment (i.e. debt and equity markets for pipelines) and to the long-term interests of consumers by creating instability and uncertainty in our industry.

To this end, SEA Gas has participated in the submission provided by the Australian Pipelines and Gas Association (APGA) and we fully support the points raised in that submission. We support APGA's contention that the current access regime does work and should be used by market participants, as it discourages monopolistic behaviour by pipeline companies and we also believe the proposed AEMC changes and new initiatives involving capacity trading and capacity auctions will address concerns about pricing and transparency.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'W.O.', with a long horizontal flourish extending to the right.

Wendy Oldham
Chief Executive Officer