

12 December 2018

Dear AEMC,

**RE: Submission on Northern Gas Pipeline – derogation from Part 23, AGREE with rule change request**

Thank you for the opportunity to make a submission as part of the consultation on a rule change request that seeks to remove an exemption applicable to the Northern Gas Pipeline.

By way of introduction, Lock the Gate Alliance is a national grassroots organisation made up of 100,000 individuals and over 250 local groups who are concerned about unsafe or inappropriate mining. The mission of the Lock the Gate Alliance is to protect Australia's agricultural, environmental, and cultural resources from inappropriate mining and to educate and empower all Australians to demand sustainable solutions to food and energy production.

We have also worked with communities directly impacted by Jemena's Northern Gas Pipeline. We have concerns about the way the company represented the pipeline, its impacts and purpose, to local people when negotiating access. Our members are also very concerned that Jemena now says the pipeline will "*promote gas exploration and production activity*" for fracking in the NT. There are significant costs to communities on land and through waterways where fracking might occur. Plus, there are impacts on the broader community as a result of climate change impacts.

With regard to this specific rule change proposal, we are supportive of the proposed rule change and AGREE with the request to remove an exemption applicable to the Northern Gas Pipeline.

The new gas laws introduced in 2017 are a critical pillar rectifying poor corporate behaviour and in ensuring pipeline companies are not ripping off customers across Australia.

The new national gas rules increase the transparency for gas pipeline arrangements in Australia. The rules place new obligations on businesses in relation to information disclosure, contract negotiations and dispute resolution. The rules also regulate access to pipelines, and therefore effective monopolies like Jemena's Northern Gas Pipeline (NGP).

We are concerned that Jemena's 2017 financial report reveals it successfully worked with the NT to ensure some or all of the rules wouldn't apply to the Northern Gas Pipeline. The company stated: "*Management successfully worked with the Northern Territory Government to secure a derogation from the new Rules for the Northern Gas Pipeline.*"

It now appears the Northern Territory government requested the derogation from the new National Gas Rules for Jemena's Northern Gas Pipeline.

We strongly put that the regulatory arrangements applicable to the NGP under the access principles DO NOT produce similar outcomes to the access regime under Part 23 of the NGR with respect to constraining the exercise of market power by a pipeline service provider.

It gives the pipeline the ability to overcharge consumers \$2.76 billion over 15 years. The exemption is in effect a \$2.76 billion subsidy to enable the construction of a new pipeline to expand the NGP. That pipeline would be by far the most expensive pipeline in Australia under Jemena's access principles. No other pipeline has the exemption from the National Gas Rules. It should be removed.

The regulatory arrangements applicable to the NGP under the access principles DO NOT produce similar outcomes to the access regime under Part 23 of the NGR with respect to information asymmetry.

If the exemption was removed the pipeline would need to publish pricing information under law.

There are NO special circumstances regarding or impacting the NGP due to which the application of the Part 23 framework for non-scheme pipelines may be inappropriate.

But there are special circumstances that justify the removal of the exemption. The exemption distorts the market. It avoids rules designed specifically to soften monopoly power of pipeline operators.

In addition, and of particular concern to our members and supporters, there are serious impacts on health and the environment caused by the extraction and burning of piped fracked. There are also climate change impacts that may damage the pipeline, putting people's safety and their access to gas at risk.

The proposed rule change would lead to a decrease in the complexity of the regulatory arrangements. Removing the exemption means the rules will simply apply across the board.

With regard to the likely costs and benefits associated with the proposed rule for market participants within the NT and the east coast gas markets: Removing the exemption could save consumers over \$2 billion in excess charges.

Thank you for the opportunity to list our support for the rule change and removal of this exemption.

Sincerely,

Naomi Hogan  
For Lock the Gate Alliance