

3 July 2013

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Dear Mr Smith

### **Gas Market Scoping Study**

Thank you for the opportunity to provide feedback into the Australian Energy Market Commission's (AEMC) Gas Market Scoping Study. As the Australian Energy Market Operator (AEMO), we have operating functions and interests in and across the wholesale and retail markets and networks, both for gas and electricity.

With Australian's eastern gas markets undergoing a period of significant development and change, both physically and commercially, this study is being carried out at an exceptionally opportune time. Indeed, and as recognised by the AEMC in your own stakeholder feedback sessions, the number of other reviews currently underway in respect of the wholesale gas markets highlights the relevance and importance of these issues to market participants, investors and policy makers alike. We view these reviews as an excellent opportunity for parties across the supply chain to bring together different perspectives to engage on issues affecting the forward looking efficient operation of the markets.

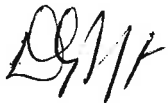
As you are aware, AEMO is currently working closely together with industry participants to deliver a new gas supply brokerage hub in Wallumbilla, Queensland, for March 2014, on behalf of the Standing Council for Energy and Resources (SCER). As part of this work, AEMO is also looking at arrangements for pipeline capacity trading at Wallumbilla to potentially deliver a more efficient market operation.

Consistent with this, AEMO has recently commissioned external research into how gas markets in different international contexts have evolved and how each manages the trading of pipeline capacity. Although we appreciate there is not likely to be a like-for-like comparison with the Australian context, we trust that this background will provide a helpful overview of different models and highlight where parallels can or do exist with the arrangements here domestically. It is our intention to publish this work once it is available and we would be happy to share and discuss the findings with the AEMC if that would be of assistance to your own research.

Finally, although I understand that the AEMC has not sought formal submissions in respect of this review, I wanted to make clear AEMO's continued support for this area of study and to reaffirm our commitment to working together where we can assist the AEMC in its thinking over the course of this process.

If it would be helpful to discuss any aspect of this further, please contact me or alternatively Peter Geers, General Manager Business Strategy, on 03 9609 8559.

Yours sincerely



David Swift  
**Executive General Manager, Corporate Development**