



Major Energy Users Inc.

31 March 2016

The Commissioners
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Sent by: online lodgement

Dear Sirs

Discussion Paper Pipeline Access GPR0003

Major Energy Users Inc (MEU) is pleased to provide its thoughts on the second Discussion Paper regarding the pipeline access discussion paper. The MEU provides the following comments which are intended to augment the views provided in the responses to the first discussion paper and the draft report on the east coast gas market and pipelines frameworks review.

The MEU notes that the second discussion paper attempts to address some of the aspects in the draft report on the east coast market which were not more fully developed and where respondents to the draft report had commented there was insufficient detail to provide more detailed feedback. In providing the greater detail, what the discussion paper does is to raise more concerns, and some of these are addressed below.

Industry led development of the products for auction, the auction process and platform development

In principle, the MEU has no difficulties in there being an industry led process. However, such an industry led process must be carried out with all of the industry involved - pipeline owners, shippers, retailers and end users and be managed by an independent facilitator, and have a requirement that decisions must be unanimous. The MEU notes that the Gas Market Leaders Group process facilitated by AEMO for the development of the STTMs was very effective and should be a template for such industry led processes.

The MEU would not accept such a process if the process excluded representation from any element of the supply chain and did not have independent facilitation from a component facilitator and considers that AEMO would be appropriate for such a task.

In carrying out such a task, the MEU is aware that AEMC has in its discussion paper identified aspects that it considers are necessary. While the MEU accepts that such input from the AEMC is valuable, it notes that such input should not

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be mandatory and that the industry led process should have the freedom to develop the best overall outcome for the industry overall.

The AER should have the responsibility that the final outcomes are equitable and appropriate to deliver the services.

Lateral pipelines

In section 6.5 the AEMC questions whether there is a material issue regarding "capacity hoarding" by shipper/retailers using capacity on laterals to prevent competition from other retailers.

The MEU has provided direct evidence to the ACCC regarding this practice and advises that the issue is material for those consumers who are unable to secure competitive offers from a number of retailers because they are unable to secure access to capacity. The MEU points out that under the AMDQ process used in the DWGM, it is the end user that "owns" the capacity and therefore has the ability to transfer the capacity to a new shipper/retailer if a better offer is available.

Where it is known that there is unused capacity, and auction process for "as available" capacity would address the problem seen by MEU members. But where the "as available" capacity is limited, the MEU sees that an auction process might not be effective. For example, if the capacity is close to fully utilised, the auction process might not make it possible for a new entrant shipper/retailer to get the capacity that would be expected to be surrendered by the incumbent shipper/retailer when it lost the contract with the end user. The new entrant shipper/retailer is unlikely to make a firm offer for supply if it does not have firm capacity, creating a barrier to the new entrant.

The MEU considers that this issue is material and needs to be addressed.

The MEU is very interested in further discussing its views with the AEMC and is open to providing more explanation if needed.

Yours faithfully



David Headberry
Public Officer