



2 December 2016

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Reference: GPR0002 - Lodged electronically

Dear Mr Pierce

**AEMC Review of the Victorian Declared Wholesale Gas Market
APA Submission to Draft Final Report**

APA welcomes the opportunity to comment on the AEMC's draft Final report on the proposed reforms to the Victorian Declared Wholesale Gas Market. APA, as owner of the Victorian Transmission System, has a keen interest in this review, and we thank the AEMC for its consultation on this matter to date.

APA supports the key policy initiatives leading to this review, notably the unbundling of gas commodity trading from transmission network access, towards developing a deep and liquid market for gas. However, owing largely to the lack of detailed information in the draft final Report, APA cannot say that it necessarily supports the approach to pipeline access.

APA strongly prefers an incentive-based regulatory framework, as it can deliver on the policy objectives of government without extensive codification and legislative burden. APA is concerned that the approach reflected in the draft Final report signals more codification and less reliance on incentives.

The AEMC draft Final report is clear that it has based its recommendations on the European entry-exit system. APA is always concerned about lifting models from other places and attempting to apply them in the Australian environment. This appears to be the case in this circumstance, as the draft Final report does not adequately address some key features of the VTS gas transmission system.

APA is disappointed that the Review appears to have overlooked two key elements: the allocation of institutional roles required to make the proposed Southern Hub operate, and the absence of competition in the upstream sector. Both these features will be critical to the success of the proposed reforms.

In summary, APA considers that the proposed reforms are not sufficiently specified to enable a market participant to reach an informed conclusion as to whether it believes the proposed reforms will meet the stated policy objectives.

APA commits to working constructively with the AEMC, the Victorian Government and CoAG as relevant to give any reforms the best opportunity of success, and looks forward to continued engagement with the AEMC and others in this regard.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ross Gersbach', is written over a light blue circular stamp.

Ross Gersbach
Chief Executive Strategy and Development