



NEWS

Roadmap released to reform east coast gas market

The Australian Energy Market Commission (AEMC) has released a package of 15 recommended reforms to remove roadblocks to faster and more efficient gas trading and access to pipeline transportation along the east coast of Australia.

AEMC Chairman John Pierce said the reforms would both improve access to a reliable supply of reasonably priced gas in Victoria, and maintain Victoria's key role in east coast gas markets as one of two wholesale gas trading hubs.

If implemented in full, the reforms have the potential to increase Australia's GDP by \$8.7 billion in net present value by 2040 through improved viability of gas-using industries and flow-on benefits to employment, and tax revenues.

The final report of the *East Coast Wholesale Gas Market and Pipelines Frameworks Review (Stage 2)* to the Council of Australian Governments Energy Council was publicly released today to deliver the Council's Vision for Australia's gas markets.

The report comes at a critical time for Australia's energy markets. Gas prices are impacting an electricity sector increasingly reliant on gas-fired generation, particularly where gas fired generation is needed to support intermittent renewable generation.

The AEMC's report also addresses issues raised by both the AEMC and the Australian Competition and Consumer Commission (ACCC) about gas access and pricing.

"East coast gas markets are undergoing a period of growth and change. Largely isolated point-to-point pipelines have developed into an interconnected network; and gas demand has increased to supply LNG exports," Mr Pierce said.

"We are now seeing the impact of change on both the level and variability of gas flows and wholesale prices both in gas markets and electricity markets

"Importantly these reforms should make it easier for Victorians to access alternative gas supplies from outside Victoria, increasing competition so that consumers don't pay more than necessary for a reliable supply of gas with significant flow-on benefits to both consumers and the general economy."

The AEMC's recommendations will be considered by the COAG Energy Council and aim to establish a new approach to trading gas, supported by improved access to pipeline capacity and additional information provision.

While bi-lateral contracts will remain a fixture of the markets, the proposed changes would introduce more flexibility to support the efficient exchange of gas between buyers and sellers, with greater incentives to trade contracted but unutilised pipeline capacity.

Key recommendations include:

- Concentrating wholesale gas trading at two hubs – a Northern Hub at Wallumbilla in Queensland and a Southern Hub in Victoria, with improved trading arrangements and price discovery in Victoria. This will reduce market complexity and concentrate trading at key points of demand and supply on the East Coast, allowing for increased liquidity and more risk management options for gas users.
- Facilitating short-term pipeline capacity trading markets, including a short-term auction for unused capacity and improved capacity trading platforms. Access to pipeline capacity is a key enabler of wholesale market trading.
- Improving information provided through the Gas Bulletin Board to enable market participants to make better-informed decisions on the trading of gas and other resources.

Making it easier to buy and sell gas in redesigned gas markets will increase competition, lower costs and help support gas-reliant industries, with flow-on benefits to consumers and the economy

There are also a number of changes being considered to improve how investment in Victoria's gas pipeline infrastructure occurs. These changes are expected to reduce the amount of risk borne by Victorian consumers in supporting investment decisions ultimately reducing costs.

The detailed changes required to the market arrangements inside Victoria are still being consulted on and will be finalised later this year.

Initial reforms could be introduced immediately following COAG Energy Council agreement, with implementation of the complete package to occur over several phases involving changes to the National Gas Law and regulations, and new rules.

The AEMC is also recommending the establishment of a dedicated implementation body to ensure industry and market participant involvement in the implementation of the recommendations.

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28 July 2016