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Via online submission

1 June 2015

Dear Chantelle

**GPR003: East Coast Wholesale Gas Market and Pipeline Frameworks Review
– Stage 1 Draft Report**

Jemena welcomes the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) East Coast Wholesale Gas Market and Pipeline Frameworks Review Stage 1 Draft Report (**the Report**). In addition to this submission, Jemena has contributed to and supports the Australian Pipeline and Gas Association's submission on this matter.

As the owner of significant transmission and distribution infrastructure which supplies gas to a large and growing number of customers across Australia's east coast, Jemena is committed to ensuring that gas remains a competitive fuel of choice for customers. We consider that the stage one initiatives proposed in the Report should complement industry actions to further improve the utilisation of gas services by improving the efficient operation of markets.

To this end, we have committed to a range of measures that will enhance the availability and efficient use of gas services as our gas market undergoes significant change:

- we recently announced¹ a \$150 million expansion project which will increase the capacity of the Eastern Gas Pipeline (**EGP**) by around 20 per cent to meet demand in NSW and the ACT. This investment is underpinned by a long-term (15 year) gas transportation agreement and will allow the supply of more gas to NSW to help mitigate future supply and price pressures
- we are proposing to build an interconnect between the EGP and the Moomba to Sydney Pipeline, which will provide shippers with greater flexibility and further optimise the EGP's utilisation
- we are working to expand our online capacity trading portal to facilitate additional trading on the EGP by the end of this year

¹ See <http://jemena.com.au/about/newsroom/media-release/2015/jemena-expands-eastern-gas-pipeline-to-deliver-mor>

- we recently proposed to reduce our prices for the majority of our gas distribution customers by up to 40 per cent in real terms, which for many households will more than offset the forecast increases in wholesale gas prices over the five years to 2020, lowering retail bills in real terms
- we are planning to continue to improve the availability of energy choice by connecting over 180,000 new gas distribution customers in NSW over the next five years
- we have proposed a range of additional measures to help further improve the competitiveness of gas and assist our distribution customers make efficient consumption and investment decisions, such as simplifying and improving the transparency of our network prices.

We also recognise the importance of capitalising upon low-cost opportunities to improve market efficiency that can be implemented in the short-term, and we are broadly supportive of the Report's stage one recommendations.

We support cost-effective measures to improve gas price transparency

We recognise the importance of improving the transparency of wholesale gas prices, particularly given that these prices comprise the single largest portion of overall gas costs for market participants such as large industrial gas users. Improved wholesale price transparency may allow market participants to make more efficient decisions about how they use gas services, and therefore contribute towards the more efficient utilisation of gas infrastructure.

We consider that the proposed option in the Report of a survey-based gas price index may be likely to provide participants with a more complete set of data, however we do note that there may be challenges in compiling and reporting this information given differences in contract length, delivery and receipt point locations and other terms of supply agreements. The market participants who would use this information (and those who would be asked to provide it) may be better placed to provide feedback on the Report's options. In evaluating these options, consideration should be given to the market transparency principles set out in the section below.

However, in relation to both proposed wholesale price transparency options, we agree that it would not be appropriate to mandate the disclosure of any confidential information (such as the terms of a gas supply agreement). Appropriate measures should also be put in place to ensure data cannot be attributed to individual market participants. It is important to note that there may be some instances where, given the relatively small size of the east Australian market, even anonymous information could still be attributed to an individual participant.

Improving the availability and presentation of other information

We are also broadly supportive of the proposal to increase the Bulletin Board's role as the central information source for gas market participants and other interested stakeholders. The suggested improvement of republishing information contained in material already produced by various governance bodies, including the historic pricing information, the Australian Energy Regulator's weekly gas market report, the Gas Statement of Opportunities and the National Gas Forecasting Report represents an area where information can be provided to participants in a consistent format at minimal cost.

In relation to the suggestion that bids and offers for secondary pipeline capacity made on Jemena's capacity trading website be provided for publication on the Bulletin Board, we're broadly supportive of improving access to this data. We note that Bulletin Board users (generally sophisticated market participants) can currently access our capacity trading website through a link contained on the Bulletin Board website. We consider that it may be possible to provide information from our capacity trading website for publication on the Bulletin Board at a minimal cost, however the actual cost would ultimately depend on the frequency (and therefore the method by which) such information was provided. We would appreciate the opportunity to engage directly with the AEMC to discuss the scope and potential merits of this proposal further.

The report also notes the AEMC's intention to consider whether there are any further improvements to information which may assist pipeline capacity trading in its assessment of the Council of Australian Governments' (**COAG**) Energy Council's Gas Transmission Pipeline Capacity Trading: Enhanced Information rule change proposal. We note that some of the potential information 'gaps' suggested in the Report have recently been considered in the consultation process undertaken by the COAG Energy Council to inform the development of this rule change proposal. It is important that the costs and benefits of publishing additional information to fill any 'gaps' identified during this process are considered, given the assessment framework contained in the Report identifies minimised transaction costs as an important characteristic of a workably competitive market. For each proposed new type of information, the following should be clearly articulated:

- the market participants that require the information
- the purposes for which they require it (and whether those purposes will further the achievement of the market's objectives)
- the benefits likely to be gained by publishing the information and the parties to which they accrue
- the costs likely to be incurred in publishing the information and the parties to which they accrue.

We also encourage the AEMC to give weight to such principles in considering the strategic direction for information provision, including the Bulletin Board, as part of stage two of the review.

Other stage one recommendations

We welcome the proposal to establish a technical working group to begin exploring the potential simplification of the Short Term Trading Market design. We consider the goal of transitioning these markets to a more focussed balancing market design will be important to ensure that key characteristics of workably competitive markets (including minimised barriers to entry, minimised transaction costs and the appropriate allocation of price and volume risks) are reflected in the Short Term Trading Markets. We agree that such work should be able to be undertaken without compromising any work done under stage two on the development of a long-term strategy for the location of facilitated markets.

We are also supportive of the proposed recommendations around the harmonisation of gas day start times and the removal of restrictions on who can submit rule changes in relation to the Declared Wholesale Gas Market.

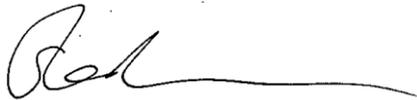
Stage two directions

Finally, Jemena welcomes the two-stage approach employed for this review. We agree that careful consideration will need to be given to a range of factors in relation to potentially significant changes suggested by some stakeholders during this review. The AEMC's work on this review represents a positive step towards the implementation of a more coherent long-term gas market reform agenda.

Jemena appreciates the opportunity to participate in the review's advisory group and to engage directly with the Commission, and we look forward to continuing to do so during the next stage of the review.

Should you have any questions about this submission, please contact Benjy Lee, Energy Policy Manager, on (03) 8544 9369 or by email, Benjy.Lee@jemena.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Shaun Reardon', with a long horizontal flourish extending to the right.

Shaun Reardon

Executive General Manager, Strategy, Regulation & Markets