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Australian Energy Market Commission
PO Box A2603
Sydney NSW 2001

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Lodged on line at: www.aemc.gov.au

Dear Sir/Madam,

GPR0007 - 2020 BIENNIAL REVIEW INTO LIQUIDITY IN WHOLESALE AND GAS PIPELINE TRADING MARKETS DRAFT REPORT 16 APRIL 2020

Thank you for the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) draft report of the 2020 Biennial Review into Liquidity in Wholesale and Gas Pipeline Trading Markets (**Draft Report**).

Jemena owns and operates a diverse portfolio of energy assets across northern Australia and Australia's east coast. With more than $11 billion worth of major utility infrastructure, we supply millions of households and businesses with essential services every day. Jemena's assets include four major gas transmission pipelines (the Eastern Gas Pipeline (EGP), the Queensland Gas Pipeline (QGP), Darling Downs Pipeline (**DDP**), the Northern Gas Pipeline (**NGP**)), a number of smaller transmission pipeline assets, a growing footprint in gas infrastructure assets in Queensland, the largest gas distribution network in Australia and an electricity distribution network. Jemena is also at the early stages (pre-final investment decision) of considering $4-6 billion worth of investment, including extending and expanding the NGP, which could deliver more than 700 TJ per day of much needed new gas supply to the east coast of Australia.

As a provider of gas and electricity services, we have enduring relationships with our customers and the communities where we operate. They are at the heart of our commitment to deliver energy safely, reliably and affordably, and to the sustainable growth of our business in the long term. Reflecting this commitment, Jemena is a proud founding signatory of the Energy Charter, launched in January 2019, which provides an industry led framework for progressing the culture and solutions required to deliver energy in line with customer and community expectations.

Jemena is pleased that the AEMC has found in its Draft Report that "liquidity has grown in a number of Australia's wholesale gas and pipeline capacity trading markets over the last two years" and that overall it "considers that progress is being made towards increased liquidity that can contribute to achieving the COAG Energy Council's gas market vision".

We strongly agree with the AEMC that it is too early to consider further major reforms.

We also concur with the AEMC's findings that "a number of regulatory changes to gas markets are still too recent to thoroughly assess their effectiveness" and that a "number of significant reforms are underway in the east coast that could contribute to further liquidity growth….. and should continue to be monitored". Tables 8 -10 of the Draft Report illustrate the extent of those reforms.

In particular we note that the AEMC has found "that the day-ahead auction (**DAA**) of contracted but un-nominated transportation capacity, which began in March 2019, appears to have contributed to liquidity growth in capacity and wholesale markets" and "while only introduced in 2019, the pipeline capacity DAA appears to have had a substantial effect on the secondary trade of pipeline capacity and contributed to liquidity growth in east coast wholesale gas markets."

In respect of Operational Transportation Services Agreements and standardisation charges we are pleased that the Australian Energy Regulator noted in its report that it was satisfied that there is nothing at this time to indicate a need for further investigation and that charging structures "are unlikely to represent a substantial barrier to secondary capacity trading".

We understand that survey responses in respect of the DAA were generally positive but did identify some issues including in respect of firmness of the product. We note that the DAA product is a high priority product. In broad terms, from a scheduling, curtailment and renomination perspective, the auction services rank below firm transportation services and the renomination rights held by firm capacity holders but above lower tier services such as as-available or interruptible services. However, the DAA product was not designed to replace firm services which Jemena is pleased to discuss with prospective customers at any time.

We also note that stakeholders were firmly of the view that additional gas supply and more participants were required to drive liquidity in facilitated markets over the next two years.

Jemena agrees that additional gas supply is required to create more liquidity in the gas market and to that end Jemena is keen to play its part. As an experienced operator Jemena plays a key role in developing, owning and operating midstream infrastructure. Jemena seeks to invest in existing assets and develop new assets to bring new sources of gas to market. Through Jemena's Northern Gas Strategy we have:

- connected the Northern Territory to the East Coast gas market via the NGP;
- acquired the DDP, taking it from dedicated assets to being open access to enable new fields to come to market cost effectively;
- developed the Atlas gas processing plant connecting it to the domestic market via the DDP in record time;
- commenced feasibility work on bringing the Beetaloo gas to both Darwin and the East Coast gas market via the proposed NGP expansion and extension;
- continued to support both small producers (such as Galilee Energy) and large producers as they work through the commercialisation process for their gas fields which require investment and a path to market to enable them to progress; and
- established an office in Brisbane and Darwin to be better placed to support development in the North.

Please contact me by email at jan.peric@jemena.com.au or by phone (03) 9173 7966 if you would like to discuss any matters raised in this letter. We look forward to the final report.

Yours sincerely

Jan Peric
General Manager Regulatory Affairs – Gas Markets
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