



# NEWS

## Victoria delivers next steps for a well-functioning gas market

**The Australian Energy Market Commission (AEMC) today released its final report to the Victorian Government on a package of reforms to help keep the costs of buying and selling gas as low as possible**

At the request of the Victorian government the AEMC has made a number of recommendations which should lower barriers to entry, streamline trading practices and improve transparency to help support greater competition in the Victorian market.

The recommendations are the next step in delivering the COAG Energy Council's redesign of the east coast gas market which is focused on making it easier to buy and sell gas.

The reforms will help the reliability of electricity supply in both Victoria and other states, as gas fired generators would benefit from having better access to available supplies.

Victoria's southern gas hub is one of the two pivotal wholesale gas trading centres on the east coast. Implemented in full, PricewaterhouseCoopers estimates these reforms to the Victorian gas market have the potential to increase Australia's gross domestic product by up to \$1.7 billion in net present value terms by 2040.

AEMC Chairman, John Pierce, said today improving access to gas across the eastern seaboard was one significant way to help keep prices as low as possible for consumers.

"The ability to move gas around is critical to our energy and economic future. The Commission is making both short and longer term recommendations to deliver benefits to Victorian consumers, increasing consistency with the wider east coast market while being relatively quick and low cost to implement," Mr Pierce said.

Today's report is focused on specific reforms to be made in Victoria. If agreed, they will provide a staged approach towards harmonisation with the wider east coast market changes. The recommendations from this *Review of the Victorian declared wholesale gas market* are to:

- introduce a clean and simple wholesale price for the Victorian trading hub, making it easier for buyers and sellers to manage risk and lower transaction costs, lowering costs for consumers
- establish a new forward trading exchange making it easier for buyers and sellers to trade gas and lock in a future price, helping businesses plan and manage price volatility – the new exchange will be standardised with other exchanges, making it easier to trade between states and creating more liquidity
- improve the allocation and trading of pipeline capacity rights, making it easier to trade unused pipeline capacity rights enabling gas traders to better manage scheduling risks.

The Victorian gas package addresses new dynamics in eastern gas markets which are driving the need to adapt current arrangements to changing supply and demand conditions.

East coast gas markets are seeing a period of growth and change, as conventional gas reserves decline and unconventional gas resources become increasingly important with the growing influence of international prices trends. The gas market framework must be flexible and resilient enough to respond to this change, ensuring efficient market outcomes in the long term interest of consumers.

Media: Communication Director, Prudence Anderson 0404 821 935 or (02) 8296 7817

14 July 2017