



14 March 2018

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

Submitted online: www.aemc.gov.au

Dear Mr Pierce

Biennial review into liquidity in wholesale gas and pipeline trading markets – Scoping Paper

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) biennial review into liquidity in wholesale gas and pipeline trading markets Scoping Paper.

Analysing liquidity in wholesale gas markets with a view to determining the effectiveness of market settings is a complex task. Appropriately defining the overarching framework is therefore critical to ensure the findings of the AEMC's biennial review are meaningful in the context of the east coast gas market. Consistent with this, Origin believes the AEMC's proposal to develop a baseline understanding of a suite of metrics with a view to tracking how they change over time is a reasonable first step. But in pursuing such an approach, it is important the following is taken into consideration.

- There is no one metric that can be relied upon to determine whether the facilitated gas markets or exchanges are delivering adequate levels of liquidity. A broader assessment of wholesale gas market conditions that appropriately acknowledges the role of bilateral contracting as a mechanism for managing long-term price risk is required before considering whether additional market reforms are warranted.
- Caution must be exercised in comparing outcomes with those observed in mature gas markets such as the National Balancing Point (NBP) in the UK and Title Transfer Facility (TTF) in the Netherlands. There are fundamental differences between the European markets and the Gas Supply Hubs (GSHs), not only with respect to their underlying physical characteristics and overall scale, but also the way they have evolved over time. The European markets in particular were largely developed alongside active bilateral and over-the-counter commodity markets and have generally exhibited higher levels of trading liquidity and lower levels of market concentration relative to the east coast. As such, Origin does not believe they provide a valid point of reference at this time, particularly with respect to metrics such as the Herfindahl-Hirschman Index (HHI) and churn rates.
- Where consideration is given to publishing information about the concentration of trades among active participants on the GSHs, it is important the information is presented in a way that does not compromise the anonymous nature of the trading platform (i.e. market participants should not be able to identify the trading positions of their competitors).

Origin is supportive of the AEMC relying on publicly available information to carry out its assessment. This will assist with reducing the reporting burden on businesses and also avoid unnecessary duplication

Page 1 of 2

of effort, given the range of information and data that is already transparently reported and assessed by various bodies, including the Australian Energy Regulator (AER).

If you wish to discuss any aspect of this submission further, please contact Shaun Cole at shaun.cole@originenergy.com.au or on 03 8665 7366.

Yours Sincerely,

A handwritten signature in blue ink, consisting of a series of connected loops and a vertical line at the end, resembling the name 'Steve Reid'.

Steve Reid
Group Manager, Regulatory Policy