



3 April 2018

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

Submitted online: www.aemc.gov.au

Dear Mr Pierce

Review into the scope of economic regulation applied to covered pipelines – Draft Report

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) Review into the scope of economic regulation applied to covered pipelines – Draft Report.

The regulatory framework for pipelines under the National Gas Law (NGL) and National Gas Rules (NGR) is a negotiate-arbitrate regime. Ensuring the framework provides market participants with sufficient information to negotiate pipeline access and an effective avenue for resolving disputes is therefore essential to the overall efficacy of the framework. Consistent with this, Origin is supportive of:

- amending the light regulation framework so that it more closely aligns with Part 23 of the NGR, principally with respect to information reporting requirements; and
- better defining the arbitration mechanism for regulated pipelines so that it provides a credible backstop in the event a dispute cannot be resolved.

This approach will assist with balancing any information asymmetry between service providers and users on lightly-regulated pipelines. It will also reduce the complexity of the existing regulatory framework and provide a clearer delineation between the strength of the various forms of regulation, which would effectively increase from Part 23, to light regulation, to full regulation.

Notwithstanding the above, the AEMC has questioned whether there is still a need to review the processes now used to determine the form of regulation that applies to a pipeline, which includes the coverage test. Given the new regulatory framework established under Part 23 has only been in place since August 2017, Origin believes it is important these reforms are given sufficient time to take effect before considering whether more fundamental reforms are needed. Further, we remain of the view that establishing a credible threat to regulation (as recommended by Dr Vertigan) is the best way to facilitate competitive market outcomes.

A further issue identified by the AEMC is the regulatory discretion associated with pipeline expansions, which in some cases has resulted in part of the capacity of a covered pipeline being un-covered. Origin understands the AEMC's rationale for recommending a consistent approach to the treatment of expansions on covered assets. But it is conceivable there are instances where avoiding the costs associated with regulation may be in the long-term interests of consumers (i.e. where the costs of an expansion will deliver no shared benefit). The AEMC should therefore consider whether some degree of flexibility should be retained.

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