

23 May 2018

Istvan Zsabo
Australia Energy Markets Commission (AEMC)
via online submission

Dear Istvan

Biennial review into liquidity in the wholesale gas and pipeline trading markets

Thank you for the opportunity to comment on the first iteration of the AEMC's *Biennial review into liquidity in wholesale gas and pipeline trading markets* (the Biennial Review).

Australian Gas Infrastructure Group (AGIG) is one of Australia's largest gas infrastructure businesses. Our assets are valued at around \$9 billion and include major investments in gas distribution networks, gas transmission pipelines and gas storage facilities located in most states and territories in Australia.

We welcome the important contribution the Biennial Review will make to understanding gas markets. It provides a strong framework and baseline of data for future reviews. As the Biennial Review and the data included expands over time, it can further contribute to the evidence base available in considering future reforms.

In this regard we think it is important to note areas where the Biennial Review can be improved over time. Firstly, for pipeline trading markets, the reforms being introduced following the work of the Gas Market Reform Group will enhance our understanding of market liquidity and the requirements of pipeline users. The outcomes of these reforms should be given time to be put into practice and the outcomes analysed before additional changes are considered.

In wholesale markets, it will be important for the Biennial Review to capture quantitative data on a larger share of the market in future editions. While the qualitative survey included in this first review provides some important insights, it also makes clear that up to 95 per cent of trades occur bilaterally, outside of trading hubs and short term trading markets, with little or no transparency. Finding mechanisms to better understand the volumes of gas traded in bilateral markets will be important. This will further assist in future policy and market development, although we recognise the difficulties in obtaining this information.

Based on the evidence available to date in wholesale markets, from the AEMC and the Australian Competition and Consumer Commission in its gas review, we think it is important to further analyse measures to improve liquidity, transparency and availability for gas users.

In particular, one reform not considered in detail to date in Australia is the potential for retailer "market maker" obligations. Market maker obligations have been implemented in UK electricity markets by the Office of Gas and Electricity Markets. In Australian gas markets, such an approach would require retailers to publish and make available standing forward prices for medium to long-term contracts that are available to users (for example for three or five year terms).

In the UK, these efforts have been considered largely positive - improving the availability of products and providing additional transparency. While the details would require careful consideration, the outcomes in the UK suggest such an approach is worth further consideration in the Australian context and has the potential to significantly improve the operation and competitiveness of domestic industry.

Once again we would like to thank the AEMC for the opportunity to comment on the Biennial Review. Should you require any additional information please contact Drew Pearman, Manager Policy and Government Relations on 08 9223 4341 or email drew.pearman@agig.com.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Craig de Laine', with a stylized flourish at the end.

Craig de Laine
General Manager People and Strategy