



Major Energy Users Inc.

26 May 2015

The Commissioners
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Sent by: online lodgement

Dear Sirs

**Stage 1 Draft Report
East Coast Wholesale Gas Market and Pipeline Frameworks Review
GPR0003**

Major Energy Users Inc (MEU) is pleased to provide its thoughts on the Stage 1 Draft Report for the East Coast Wholesale Gas Market and Pipeline Frameworks Review. The MEU provides the following comments which are intended to augment the views provided in the response to the earlier Discussion Paper.

In its draft report, the AEMC has identified a number of aspects for further work to address concerns raised about the east coast gas market. The longer term aspects are:

- Redesign the STTMs
- Reconsider the design of the DWGM including the introduction of capacity rights trading in the DWGM
- Development of a long term strategy for location of facilitated markets
- Further development of the Wallumbilla supply hub
- Consider potential measures to facilitate capacity trading
- Consideration of the strategic direction for information provision (including the Bulletin Board)

In the shorter term, the AEMC proposes:

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- Improving price transparency including a survey based price index of short medium and long term gas prices and aggregation of publicly available information on gas pricing
- Making the Bulletin Board a one-stop-shop
- Identifying information gaps
- Establishing a technical working group to consider potential simplification of the STTM process
- Harmonising the gas days
- Make DWGM rule change process reflect STTM rule change processes

1. MEU observations on the short term change proposals

The MEU supports all of the proposals as identified for the reasons provided in the draft report.

Despite this support, the MEU has a caveat on the proposal to re-examine the design of the STTM. It must be remembered that the STTMs replaced a number of very opaque mechanisms for gas balancing which were thought to be low cost. As noted below, the MEU is concerned that there is the potential to "reinvent the wheel" with the decision to examine the potential for a simpler gas balancing design.

The design of the STTM was developed as a team effort where consumers, retailers, pipeline owners and the market operator worked cooperatively with government to develop a solution for greater transparency on:

- how gas balancing was done,
- the costs for provision of the service
- the equitable allocation of the costs between gas shippers
- allocating costs to those causing the out of balance.

It was recognised that the final design of the STTM did not meet all of the needs and desires of all stakeholders but did meet most.

The STTM design is not all that old - it has only been in operation since late 2010 - and considerable effort went into the development of it by all sectors of the market, and the MEU is concerned that much of the learning that was achieved during this process could be lost and have to be relearned in a review.

The MEU, representing the interests of consumers, was an active member of the various subgroups that developed the STTM and provided consumer input at all

levels of the process from the working groups and sub-working groups through to the GMLG which finally settled on the current STTM design.

The MEU is concerned that the drive for a simpler STTM is a result of some vested interests which do not have the "long term interests of consumers" as a focus which the AEMC is required to keep at the forefront of any review and analysis that it does. The MEU therefore considers that all stakeholders must be represented in the technical group proposed by the AEMC in the draft report and should utilise as much as possible of the learning that went into the development of the STTM.

The MEU therefore considers that the report from the AEMC should stipulate that the technical team established for the "simplification review" should include as many as possible of those actively involved in the STTM development. To this core group should be added those with the direct experience of STTM operations so that the areas of real concern can be addressed. Consumers should be an integral part of the technical review group as they were during the STTM development.

2. MEU observations on the longer term change proposals

The MEU agrees with many of the proposals for further review for the reasons given in the report. The aspects where the MEU has concerns about the proposals are as follows.

2.1. Redesign of the STTM

The MEU agrees that the STTM prices do not reflect the prices offered by the producers for gas and that this (along with the need for greater transparency on the gas balancing that occurred before the introduction of the STTM) was one of the core reasons for the establishment of the STTMs. The report quite rightly identifies that there is limited trade out of the STTMs yet fails to identify why this might be the case.

Instead of addressing the reasons why there are shortcomings about how the STTM is being used, it appears a decision has already been reached that there is a need to simplify the STTM process, apparently because some stakeholders have identified that simplification would reduce the costs they incur. Simplification of the STTM is likely to result in a reversion to the original gas balancing approaches which were seen as not being transparent, did not clearly identify the costs involved, and nor did they provide a transparent or equitable mechanism for allocating the costs incurred in gas balancing.

2.2. Redesign of DWGM and capacity trading rights

As with the STTM process, the decision has been made that the DWGM does not meet certain expectations and therefore redesign is needed. The MEU accepts that the Victorian Government has requested the AEMC to include in its east coast gas market review, a review of the DWGM to identify and address some of its shortcomings.

Two such shortcomings identified about the DWGM are that there is an apparent slowness in permitting investment in the DTS¹ (especially to increase the capability for export to other regions) and to address a better approach to capacity utilisation through an ability to trade capacity rights.

With regard to investment, the regulatory process is focused on assessing augmentation of the DTS for the benefit of Victorian gas consumers, and consumers have not reported concerns that a lack of investment has been a concern. Further, consumers have not reported significant concerns with the performance of the DTS. There have been few, if any, long term capacity constraints within the DTS such that Victorian consumers have experienced significant long term gas supply issues. Such short term constraints that have occurred are reflected in uplift payments that are levied in a transparent manner. Where the constraints are expected to be longer lived, the regulatory process (as it does for gas distribution networks) provides for the augmentations as needed and the costs for these are included in the allowed revenue with prices modified to reflect the allocation of the costs of the augmentation undertaken.

In fact, the DWGM along with the DTS has proven to be very resilient and reliable for many years in providing for the needs of Victorian consumers. In recent times, there has been a concern stated which is related to expectations for increased gas transport capacity to provide export to other regions.

The question then arises whether Victorian consumers should have funded augmentations of the DTS to enable greater export to other regions as implied by the owner of the DTS - APA Group. Victorian consumers rightly recognise that increased gas export has the potential for increased gas prices in Victoria as consumers in other regions might well be prepared to pay a premium for the gas that would otherwise remain in Victoria. The AEMC has recognised this dichotomy in the electricity market and has imposed on importing regions of electricity, a sharing of the cost for the infrastructure used to enable export - this is the Inter-regional transmission use of System (IRTUoS) charge to recognise that importers should pay for the ability to export from another region.

To replicate this approach in the gas transmission market, the DTS should be sized sufficient for the needs of Victorian consumers and for exporters to pay for the augmentations that will allow them to export. The MEU does not consider that Victorian gas consumers should pay for the infrastructure needed to export gas and this has been reflected in the regulatory

¹ See for example the Productivity Commission (PC) research paper "Examining Barriers to More Efficient Gas Markets" March 2015, page 116. The MEU considers there is little evidence to support the contention and points out that the DTS (with its market carriage model) has not experienced significant disadvantage for Victorian consumers through a lack of investment, although the owner of the DTS (APA Group) is noted in the PC research paper as asserting the contrary. It is interesting to note that the PC does not mention any concerns of consumers in this regard.

determinations on the DTS. Instead, such augmentation that there has been, has been paid for by shippers keen to export Victorian gas to another region and this is the correct approach as those shippers can recover the cost of the augmentation from their customers in the importing region.

The second issue is the trading of capacity rights on the DTS. It needs to be remembered that one of the critical issues for consumers when the DWGM was developed was continued access to the gas they needed for their continuing operations. This led to the decision to allocate capacity on the DTS to consumers (the AMDQ) rather than leave such access to chance. At the same time, additional capacity was funded through the regulatory process where all consumers contributed to the increases.

The MEU does not object to the setting up of a market where unused capacity can be traded to other parties. The MEU sees that this is a sensible approach and will provide more efficient use to the limited capacity that the DTS has. However, the MEU is concerned that the issue of trading capacity rights might result in Victorian consumers suffering when that capacity is removed from supplying gas to Victorian users for the benefit of users in another region. Victorian consumers have effectively underwritten the development of the DTS over many years and should not be penalised by the reallocation of this capacity they have funded to users who have not contributed to the provision of the DTS.

2.3. Capacity trading rights won't solve all core problems

There is an assumption that capacity trading rights will result in better utilisation of pipeline capacity. While it should assist, this is not always the case.

The MEU agrees that capacity trading can increase the utilisation of pipelines but there are a number of circumstances where there is an incentive on the rights holder not to offer capacity as this might result in a less profitable outcome for the rights holder.

The most common occurrence of where capacity might otherwise be available for trading but will not reach the market is when a shipper has contracted all the available capacity on a pipeline and uses this to prevent competition to it for downstream gas sales.

An example of this "hoarding" is where a new shipper (retailer) seeks to compete with the existing shipper (retailer) which has contracted all the available capacity on a pipeline. The pipeline owner is getting its return on its investment and is content to allow the shipper to essentially become the monopoly provider of capacity on the pipeline. An end user connected downstream on the pipeline has effectively an amount of capacity allocated to it by the existing shipper (retailer) but when the end user wants to change its retailer, it is prevented from doing so because the capacity that it is using is not transferred to new retailer by the existing shipper (retailer) because the

existing retailer argues that it could use the capacity released for another customer it might get. The end user is therefore prevented from changing retailers through the hoarding of the capacity by the existing shipper (retailer). This allows the existing shipper (retailer) to charge a monopoly premium on the end user seeking change. To maintain this monopoly premium, the existing shipper (retailer) is unlikely to want to trade this capacity unless the capacity is traded for an amount sufficient to return the monopoly premium it would otherwise get from losing the end user as a customer. Either way, the end user is exposed to monopoly rents through the hoarding of the capacity and capacity trading will not prevent this occurring.

A second example is where there is a pipeline with all firm capacity contracted to a shipper but where all capacity of the pipeline is not being used - that there is unused capacity available. In theory, where there is unused capacity, this can be made available on an interruptible basis even though the firm capacity is fully contracted. In this circumstance, the interruptible capacity is effectively provided as firm capacity, at least until another end user connects to utilise the spare capacity. What occurs in such a circumstance is that the shipper with the firm capacity does not offer interruptible capacity. Whilst the pipeline owner might offer interruptible capacity, this could lead the shipper with the firm capacity to reduce its contracted capacity and so the pipeline owner would be disadvantaged. To overcome this, the pipeline owner either offers interruptible capacity at a premium to the price for firm capacity or refuses to offer interruptible capacity. Either way, downstream end users are effectively prevented from accessing competition or have to pay a premium to access capacity - effectively paying monopoly rents.

Both of these examples are from actual experiences of end users in the gas market. A review of the Competition and Consumer Act shows that neither of these exemplified issues can be addressed under competition law and therefore the MEU sees that capacity trading is most unlikely to address two of the most concerning aspects of monopoly activity currently available to shippers in the gas market.

The MEU notes that the draft report does address the issue of hoarding (or failure to release) but appears to relegate the issue as one which will be addressed by concentrating on establishing some capacity trading. This decision appears to be based on the view of the Productivity Commission (PC) Research Paper (Examining Barriers to More Efficient Gas Markets March 2015) which comments (page 120) that

"...what may appear to be inefficient hoarding of capacity may instead be commercial behaviour that is consistent with outcomes from effectively competitive markets."

What the PC research paper also comments is that there is no clarity on the issue. So other than asserting that hoarding might be commercially

acceptable² it does not provide a view as to whether the practice is anti-competitive. The MEU considers that hoarding, when assessed in terms of the gas Objective, is not in the long term interests of consumers.

It also needs to be recognised that most end users require a certain amount of capacity most of the time and over the long term so that they can continue to use the gas they need to get a return on their investments. So accessing an amount of capacity for a limited time (as might come with trading of capacity) is unlikely to provide much of a benefit to a specific end user, although these specific end users might be prepared to offer short term capacity to an aggregator from time to time.

Where capacity trading can assist is to gas aggregators (such as retailers) who can utilise the inevitable daily variations of gas incurred by the many gas end users they have contracted and whose demand for gas does vary on a daily basis. So, despite the fact that gas capacity trading might not address the two main issues it identifies, the MEU supports the move to provide a market for gas capacity trading.

2.4 The two transport models

The MEU is concerned about the apparent simplistic differentiation between the relative benefits and detriments of the two gas transport models used on the east coast - that the market carriage model provides more efficient utilisation of the infrastructure but does not sufficiently encourage investment. Conversely, the contract carriage model is alleged to provide better support for investment (as it provides property rights) but has led to significant issues of underutilisation of infrastructure.

The MEU would add to the apparent advantages seen in the contract carriage model for augmentation of a pipeline, will only occur when the pipeline owner is assured that a counterparty will undertake the risk of augmentation; a counterparty is unlikely to commit to more capacity than it needs as it means that the counterparty will incur costs that it will have to carry without reward. This means that augmentation tends to be only sufficient for immediate needs and there is little appetite for building surplus capacity. In contrast, under the market carriage model used in the DWGM and the electricity markets, part of the assessment made under the regulatory approach is whether the addition of surplus capacity at the time of the augmentation (recognising that augmentation is seldom carried out incrementally but results in large step increases in capacity) is in the long term interests of consumers which is the focus of both the gas and electricity Objectives³.

² To whom? - certainly not end users

³ In regard to the energy Objectives, the MEU notes that the objectives are worded to reflect the long term interests of consumers. This is usually interpreted that investment has primacy over the interests of current consumers. Yet the actions of current consumer have a very large bearing on the interests of future consumers, so the MEU considers that the interests of current consumers need to be included in any assessment.

The MEU considers that the contract carriage model also encourages the levying of monopoly rents - an aspect addressed in more detail below - and this is a detriment that the draft report does not identify.

3. Actions that are not addressed

Despite its support for many of the recommendations in the draft report, the MEU notes that the draft report totally excludes discussion and recommendations on, or provides scant regard for, a number of areas of concern that were raised by stakeholders to the Discussion Paper. The MEU accepts that some of the aspects raised could be considered to be outside the terms of reference given to the AEMC, but despite this, the MEU considers that the AEMC should provide a full account of the aspects of concern to stakeholders, even if they are outside the terms of reference.

There were consistent views provided that the gas market is not really competitive and the issues driving this lack of competition need to be addressed in the report.

3.1. Concentration of production and lack of competition

The MEU noted in its response to the Discussion Paper that competition in production is a core element impacting the gas market and the price of gas. The AEMC notes that assessment of the price aspect of the gas market is outside its remit and that the ACCC is to undertake examination of this aspect.

On page 15 of the draft report, the AEMC lists, in addition to the requirements of the National Gas Objective, six aspects which it considers are integral to its investigations. The MEU agrees with all six of the aspects as core to what the AEMC should examine but the listing excludes any reference to the market needing to reflect competition; it is competition that has the greatest impact on the efficiency of the gas markets.

While the MEU can see that the AEMC decision not to address the issue of competition (or lack thereof) in production as it is outside its remit, it does not consider that the AEMC can so easily dismiss this very important aspect of its assessment of the needs of the east coast gas market - that a competitive outcome has to be at the core of any investigation.

It must be recognised that basically each production centre is dependent on one pipeline to deliver its product to the domestic demand centres. This means that the combination of production and pipeline essentially sets the level of competition in the four domestic demand markets (Brisbane, Sydney and Adelaide STTMs and the DWGM) and therefore to assess the benefits of each market requires a detailed understanding of the levels of competition that apply at each centre.

As part of this assessment, it must also be recognised that where there are only two pipelines delivering gas to a demand centre (which is all that there are for each of the four markets), each pipeline has a different role to play with one providing flow control delivery and the other pressure control delivery. Because there is only one pipeline from each production centre, this consigns each production centre to a unique role (either flow control or pressure control) as well.

The issue goes further. As the price for gas rises, this might introduce new suppliers into the market. Currently, the market has been structured for each production centre to be dependent on a single pipeline to deliver its product to the markets they serve. More gas production will result in competition for the capacity of the limited pipeline capacity. To enable this competition at the production level, some form of allocating capacity is required that does not result in the new entrant facing a barrier through the approach to allocating existing capacity and so transferring the costs of augmentation to the new entrant⁴ effectively imposing excessive costs on new entrants⁵.

The MEU considers that the AEMC must address the issue of limited competition in production as part of its assessment.

3.2. Contract gas prices offered do not reflect the DWGM and STTM hub prices or the net back international prices

The draft report is correct that the STTM and DWGM prices appear not to reflect the actual prices asked for gas under the bilateral contracts. To some degree, this is because the gas markets are based on a net pool market as distinct from a gross pool market such as the electricity market.

A net pool market does not incorporate the bulk of the trade within the market and is primarily a market to manage the unders/overs in demand and to provide a price for the marginal energy used in managing the variations from bilaterally contracted volumes.

Equally, neither does a gross pool market provide a clear view on what the actual trading price for energy is at any particular time. While a gross pool (such as the NEM) provides a spot price for all of the energy traded, it does not provide the actual prices paid after the settlement of the hedge prices agreed between the sellers and the buyers. So any spot market will not divulge what the actual costs of the energy provided through the market actually are, yet the draft report implies that the spot market at each location should be identifying the "real" price for gas. The MEU considers that no spot market can readily deliver a "real" price for the energy.

⁴ Already end users have seen how, under the contract carriage model, pipeline owners have the ability to determine access to existing capacity and allocation of augmentation costs - this is addressed in section 3.3.

⁵ This same issue has been addressed by the AEMC in its discussions on Optional Firm Access in the electricity market

However, just as the spot market in the NEM provides a guide over time as to the longer term price for electricity, so too should the DWGM and STTMs. Implicitly in the report, there appears to be some concern as to whether the net pool markets provide adequate signalling of actual prices to the same extent as gross pool markets. This aspect needs to be investigated in more detail yet the draft report does not include this in its proposed actions.

The MEU is aware that a number of electricity users now access the gross pool spot market for electricity and pay the spot price for electricity. This has resulted from a recognition that electricity retail contract prices had reached unacceptable levels and some consumers were prepared to reduce demand at high price times to limit their risk to the spot market⁶. That this was possible was based on a recognition that the spot market reflected prices suppliers were prepared to provide their energy at the margin, based on the assumption that the bulk of their supplies were contracted using hedges rather than hard contracts.

The MEU is aware that some end users are buying spot gas from the STTMs and DWGM, most commonly for their short term gas needs. What is not possible is for end users outside the STTMs and DWGM to access the gas spot markets for their supplies and this limits considerably the number of end users that can utilise the benefits of the spot markets. Further, the exclusion of these end users reduces the volumes of gas that can be traded through the markets and, combined with the fact that the markets are predominantly served by bilateral contracts, this reduces the liquidity of the gas spot markets considerably.

For example, for the Adelaide STTM, the Adelaide based gas fired electricity generators are not in the STTM, and neither are the many gas users connected to laterals off the Moomba Adelaide Pipeline or the SEAGas pipeline. In contrast, all electricity used in the NEM is traded through the spot market, providing considerably more liquidity.

The MEU also notes that in the electricity gross pool market, the spot price is considered to provide a signal for investment in new generation. A similar price signal from a gas gross pool market might be useful in providing a similar signal for new gas investment, especially as the prices for vast majority of the gas used domestically are opaque.

The MEU considers that the stage 1 report needs to reflect the actualities of the gas markets and to recommend deeper investigation as to whether the structures⁷ of the gas markets results in a number of the shortcomings that have been identified in the discussions to date.

⁶ The recent AEMO review of the Value of Customer Reliability (VCR) highlights that there is a price point at which consumers would "turn off" rather than continue to pay for electricity supplies. There is no similar price point available in the gas market other than the market price cap which is in reality a risk management tool.

⁷ For example, gross pool versus net pool, market carriage versus contract carriage to name two.

Whilst the MEU does not necessarily support such a move, the AEMC should examine whether the gas market would be more efficient if it were operated on a gross pool basis - in similar fashion to the electricity market. The reason that the gas market has not entertained such a move in the past is due to resistance from supply side stakeholders, yet many of the problems identified in the draft report could be resolved by implementing this fundamental change. That this is not even contemplated in the report highlights a core shortcoming.

3.3. The implications of the contract carriage model and increasing capacity

There is a view (usually put by the supporters of the contract carriage model) that investment is better incentivised under the contract carriage model because the pipeline owner will respond more quickly to an applicant for increased capacity than occurs under the market carriage model where the regulator supposedly limits its assessments for the need for augmentation to the start of each regulatory period⁸. This is a distortion of reality. In practice, under market carriage, a pipeline owner provides its assessment of need which is reviewed by the regulator. Even if the regulator does not approve some augmentation, there is still the ability of the pipeline owner to implement augmentation when it sees fit although it does risk the regulator not approving the augmentation at a later time. Despite this residual risk, under market carriage in both gas and electricity networks, owners have in the past incurred little penalty when carrying out augmentations outside the approved regulated capex. So in reality the risk of under-investment with market carriage is more in perception than actuality.

Under contract carriage, unless an asset owner has a specific counterparty to underwrite the augmentation, it is unusual for an augmentation to proceed, even though there might be a real need; a counterparty is often deterred from seeking augmentation as it becomes liable for the entire cost of the augmentation. In contrast, in market carriage, effectively all consumers (rather than a single entity) underwrite the augmentation as the cost of the augmentation is usually spread across all consumers or at least all those benefiting from the augmentation.

As the cost of the entire augmentation under contract carriage is carried by the party seeking the increased capacity, this provides a significant barrier to entry and thereby reduces the potential for existing users to reduce their unit costs by sharing the added volume over the cost of the assets, and ultimately leading to greater utilisation of the assets. So unless a mechanism is found so the costs of augmentation are shared across all users of the assets, there is a loss of efficiency in the practices implicit in contract carriage.

⁸ What is overlooked by opponents of market carriage, is that the rules can incorporate projects on a provisional basis - that an augmentation can be included as a contingent project which can proceed when certain preconditions are met such as apply in the electricity market.

For example, the MEU is aware of end users seeking greater transport capacity than provided by the existing assets. To get the increased capacity under the contract carriage model, all of the augmentation costs are allocated to the new entrant as existing users are given priority for the existing capacity. As the new entrant finds it difficult to support the entire cost of the augmentation, this places a barrier to the proposed downstream investment and reduces the ability of the existing users to reduce their costs by spreading their costs over a larger demand. Further, it provides a barrier to subsequent users that might seek access to the existing assets as well.

The MEU considers that the AEMC must address these issues in its report

3.4. Pipeline monopolies

The MEU is aware of a number of gas pipelines where there is no competition to the pipeline and the asset owners can set their own prices for transport; the MEU pointed this out in its response to the Discussion Paper. Attempts to get such assets regulated (or re-regulated) have been prevented by asymmetric rules for deregulation and regulation (and re-regulation). The draft report does not address the point that regulation of gas pipelines was intended to ensure that monopoly assets were to be controlled such that owners could not levy monopoly rents from end users.

For example, the gas pipeline between Katnook gas field and Mount Gambier in SA utilises about half of its rated capacity so to duplicate the pipeline would be uneconomical and inefficient. The pipeline used to be regulated but was deregulated in 2000 because the cost of transport was fixed by a long term contract making regulation inefficient. This contract has now expired and the owner has increased transport costs by some three times. An attempt to get the pipeline regulated was prevented on the basis that regulation would not increase competition upstream or downstream. Yet the pipeline serves residential consumers where there is no ability to "prove" there will be an increase in downstream competition. This leave the pipeline owner able to impose monopoly rents on residential consumers who have no ability to prevent the imposition of these. This is not efficient and neither is it equitable or in the long term interests of consumers.

Similar problems occur with laterals off major pipelines. For example, the Moomba-Adelaide pipeline (MAPS) was deregulated because it had competition at the Adelaide demand centre from the SEAGas pipeline. Yet the MAPS includes the laterals to Whyalla and Angaston which are effectively monopoly providers to those served off them. The pipeline owner is able to set transport costs on these laterals at whatever level the market can stand and thereby acquire monopoly rents.

In the late 1990s, during the development of the National Gas Code (the forerunner of the National Gas Rules), governments identified pipelines which should be regulated (see schedule A of the Code) and this was based on the recognition that these pipelines were not subject to competition, reflected

monopoly traits and provided the owners with an opportunity to levy monopoly rents. To allow these pipelines to be unregulated was seen as not efficient. Since then, the extensive listing has reduced to a mere 5.5 pipelines⁹.

The draft report (particularly in appendix D) makes significant reference to the proposals to modify Part 111A of the Competition and Consumer Act (CCA) and its similarity to the Gas Law provisions on regulation, and to the more recent PC research paper; the AEMC draft report implies that these references are sufficient to address the gas Objective with regard to monopoly pipelines. What has not been considered in the draft report is whether the current application of the National Gas Law on regulation (even though it reasonably reflects the CCA Part 111A) actually delivers the requirements of the gas Objective and addresses consumer concerns of gas transport on monopoly pipelines. This oversight has major implications for consumers who have been and still are being levied with monopoly rents.

The MEU considers that the AEMC should include in its report a recommendation that pipelines not subject to competition (ie exhibit monopoly traits) should be reassessed for regulation and why the regulation (and re-regulation) process has not resulted in protecting consumers from monopoly rent taking.

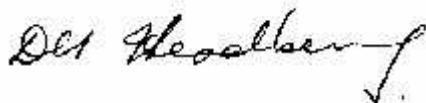
3.5. DWGM and STTM are net markets

The MEU notes that the AEMC has identified that the gas markets exclude bilateral trades and are net pool markets. What is not addressed is whether the decision to implement net pool gas markets has caused any of the concerns that are raised in the draft report.

By not addressing such a core issue, the MEU considers that the AEMC has drawn conclusions based on an untested premise - that a gross pool gas market might provide solutions to a number of the concerns that have been identified and the AEMC considers need to be addressed.

The MEU is very interested in further discussing its views with the AEMC and is open to providing more explanation if needed

Yours faithfully



David Headberry
Public Officer

⁹ See draft report page 42