



Public Submission to ACCC East Coast Gas Inquiry

Alinta Energy

2 July 2015

Introduction

Alinta Energy (**Alinta**) is pleased to provide comment as part of the *East Coast Gas Inquiry (Inquiry)* by the Australian Competition and Consumer Commission (**ACCC**). The key focus of the Inquiry is to obtain a comprehensive understanding of the structure of the gas industry for the purpose of:

- Making factual findings and recommendations; and
- Assessing the state of competition in the wholesale supply of gas.

The competition assessment will predominantly focus on whether:

- There are any features of the gas industry in Eastern Australia that limit competition between suppliers of gas or providers of associated services; and
- There is, or has been, any specific behaviour by gas industry participants in Eastern Australia that either restricts competitive access to supply of gas or provision of associated services or involves the exercise of market power.

Alinta is supportive of the Inquiry seeking to identify any deficiencies in the current market arrangements that may impede competition or limit the east coast gas market from operating efficiently. We consider that the Inquiry provides an opportunity for the recommendations from the plethora of recent east coast gas market reviews to be consolidated and assessed with a view to identifying any potential deficiencies with the current market arrangements that may remain and any recommended reforms to address these.

Alinta's experience

Alinta is an active investor in the energy retail, wholesale and generation markets across Australia. Alinta has around 2500 megawatts of generation capacity in Australia (and New Zealand) and a growing customer base of approximately 800,000 retail energy customers. Alinta's portfolio includes three gas-fired generation units at the Braemar Power Station facility in the Queensland region along with gas-fired generation units at Pinjarra, Wagerup, Port Hedland and Newman in Western Australia.

Alinta is a participant in the Adelaide and Brisbane hubs of Short-Term Trading Market (**STTM**), the Victorian Declared Wholesale Gas Market (**DWGM**) and the Wallumbilla Gas Supply Hub (these markets are collectively referred to in this document as facilitated markets). Alinta also owns an approximately 150km gas pipeline in Queensland serving the Braemar Power Station facility and has an 11.8% ownership share in the Goldfields Gas Pipeline in Western Australia.

Overall Alinta considers that the east coast gas market functions well and that the concerns that have been raised during other reviews, such as rapidly increasing gas prices, are reflective of the new underlying market fundamentals.

Alinta does however consider that the efficiency of the east coast gas market would be enhanced through improving overall information disclosure to enable participants to have full knowledge of matters which have a direct bearing on the functioning of the market¹. Enhanced information transparency in the east coast gas market would also enable transparent price discovery, true incentives to be revealed and risks to be borne by the most appropriate parties.

Alinta also considers that the east coast gas market could be further developed by enhancing liquidity within the market, particularly with respect to gas transport availability, and by removing any remaining barriers to entry. In particular, Alinta considers that opportunities may exist for increased trade in secondary firm capacity through leveraging off the existing Gas Bulletin Board arrangements to create a voluntary capacity trading mechanism.

Subsequently we support the regulatory processes that are currently underway which seek to:

- Promote improvements in information transparency and liquidity; and
- Remove any remaining barriers to entry.

These processes include:

- The East Coast Wholesale Gas Market and Pipeline Frameworks Review - undertaken by the Australian Energy Market Commission (**AEMC**);
- The Gas Transmission Pipeline Capacity Trading Review - initiated by the COAG Energy Council²; and
- The Gas Bulletin Board Redevelopment: Queensland Working Group - established by the Australian Energy Market Operator (**AEMO**).

Specific details of those aspects of the current market arrangements that Alinta considers would benefit from further refinement, as outlined at a high level above, have been provided in detailed submissions to each of these existing regulatory processes previously. Given the

¹ While the provision of any additional information to enable new and existing market participants to be fully informed around matters that impact on the market should be subject to a cost-benefit assessment, we consider that increasing information availability would be of significant benefit in the east Australian gas market at this time and so should be pursued.

² Alinta notes that stage 3 of the COAG Energy Council's reforms are intended to be completed by the first quarter of 2016 once a rule change to support the provision and publication of data on the GBB is completed. Refer to: <http://www.scer.gov.au/workstreams/energy-market-reform/gas-market-development/gtpct/>

direct relevance of these views to the current Inquiry, we recommend the ACCC refer to our previous submissions when conducting its assessment.

If you have any queries in relation to this submission or would like a copy of a specific submission provided into any of the existing regulatory processes please contact Fiona Wiseman, Wholesale Regulation Manager on 08 9486 3009.