



Our ref: IRD202102

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Energy Senior Officials

Via email: gas@industry.gov.au

Dear Senior Officials

Re: Options to advance the east coast gas market

The ACCC recognises the work being undertaken by the Department of Industry, Science, Energy and Resources on Options to advance the east coast gas market.

While the ACCC will not be making a formal submission to the Department's current consultation process, we have engaged with the Australian Energy Regulator (AER) as they prepared their submission.

The ACCC supports the positions set out in the AER's submission, many of which have been informed by the AER's regulatory oversight roles.

However, we add the following observations regarding a possible market making regime.

It remains unclear to the ACCC that a market making regime could provide future price certainty to C&I users in periods of volatility, without a significant financial impact on the market maker (in the absence of government support). If this financial impact is imposed on gas producers, the mechanism may distort investment decisions in new sources of supply and have the unintended effect of increasing prices.

Further, the potential for a market making regime to materially increase liquidity at the Wallumbilla Gas Supply Hub is, in our view, uncertain given the dominance of bilateral contracts in the east coast gas market.

Finally, the significant share of gas traded by retailers may also impact on the potential for a market making regime to directly benefit C&I users and the overall east coast gas market. Our engagement with C&I users has found that some are of the view that greater participation in facilitated markets exposes their companies to unacceptable price risk. The ACCC is currently undertaking an in depth examination of upstream competition and timeliness of supply. Stage 2 of this examination will focus on behavioural factors that may be affecting upstream competition and/or the timeliness of supply. This work may provide further insights relevant to the design and/or application of any market making obligation. We will conduct this stage 2 review over 2022.

We would be pleased to provide further information on these issues if that would assist your work.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'N. Ross', is positioned below the text 'Yours sincerely'.

Nicole Ross
General Manager
Gas Markets Branch