21 December 2021

Submission: Options to advance the east coast gas market Consultation on the Wallumbilla Gas Supply Hub and pipeline capacity trading framework

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure, with a focus on high-pressure gas transmission. APGA's members build, own and operate the gas transmission infrastructure connecting the disparate gas supply basins and demand centres of Australia, offering a wide range of services to gas producers, retailers and users.

APGA welcomes the opportunity to contribute to the Options to advance the East Coast gas market consultation on the Wallumbilla Gas Supply Hub and pipeline capacity trading framework (the **Consultation Paper**) and appreciates Energy Ministers' intention to develop an East Coast Gas Market Advancement Roadmap following this consultation. AGPA notes the importance of pipeline investment to the east cost gas markets long term future.

The Consultation Paper contains a handful of no-regrets policy options. These no-regrets reforms and initiatives are likely to advance the East Coast gas market by addressing defined problems with fit for purpose solutions. APGA recommends that the following reforms and initiatives be flagged for early action within the Energy Minister's roadmap as no-regrets actions which could achieve Energy Minsters' objectives:

- <u>Anonymised delivery within the existing Wallumbilla Hub</u>
  This simple, low-cost reform addresses one of the key reasons why off-market trading is the preferred option for many market participants. Figure 2 of the consultation paper displays a 2- to 6-fold uplift in Wallumbilla Hub trades and a 2- to 20-fold uplift in Wallumbilla Hub volumes which could potentially be brought into the facilitated market.
- <u>Streamlining prudential requirements across all facilitated markets</u>
  This simple, low-cost solution reduces a barrier to entry for small shippers trading in facilitated markets with no observable downsides so long as the resulting level of prudential cover still appropriately mitigates the risk of market participant default. While the expected uplift in Wallumbilla Hub participation isn't large, the broader impact to all facilitated markets is likely of greater value than the cost of implementation.

Alongside these, APGA considers an additional opportunity to increase market liquidity in the East Coast gas market is government investment support for renewable gas production development. Increased gas supply is the most effective way to increase supply liquidity in the east coast gas market[1]. The East Coast gas market is on the cusp of the renewable gas production era, providing governments an opportunity to support increased supply side liquidity beyond that which the natural gas market can provide alone.

Beyond these no-regrets reforms and initiatives, APGA holds concerns about ways in which other options put forward in the consultation paper could impede the further development of the East Coast gas market.

- <u>The rapid pace of regulatory change in the east coast gas market</u>
  The east coast gas market is experiencing a period of significant regulatory change. The Day Ahead Auction (DAA) and Capacity Trading Platform (CTP) markets are yet to have sufficient time to deliver their full effect, with relatively few firm haulage contracts having been renegotiated since introduction. Two sets of draft legislation will soon add to this changing marketplace;the Measures to Improve Transparency in the Gas Market and Improving Gas Pipeline Regulation, and these too will soon be joined by an Extension of the National Gas Regulatory Framework (NGRF) to enable hydrogen and other renewable gases.
  Slowing down the pace of regulatory change to allow existing reforms to take hold in the east coast gas market is necessary before Energy Ministers' objectives can be achieved through the proposed roadmap, if for no other reason than to understand the state of the market it is seeking to reform.
- <u>Pursuit of liquidity for liquidity's sake</u>
  Liquidity is an important market characteristic but is not necessarily the most desirable one. There are many factors that can influence a market's liquidity and it is not clear that the East Coast gas market has sufficient volume or participants to deliver the liquidity seen in international comparator markets.
- <u>The paramount importance of small gas users</u>
  Participation of small users is often presented as a paramount consideration despite gas market engagement being fundamentally impractical below a certain size. It is likely that small users are most interested in seeing an effective reference price established at Wallumbilla rather than a complex market they are required to participate in on a daily basis.
- <u>Complexity disproportionate to need</u>
  The complexity of many proposed reforms and initiatives seems to greatly outweigh the potential market impact, especially considering that these reforms and initiatives are proposed at a time when it is not clear what needs to be done (see first dot point above).
- <u>Apparent willingness to advance to much stronger regulatory models</u>
  Virtual hub models globally are achieved under common carriage regulatory model – an understated but hugely impactful aspect of the virtual hub proposal.
- <u>Apparent willingness to override existing customer contracts</u>
  Many aspects of the more complicated reform measures proposed casually accept forcing amendments to commercially negotiated contracts with customers.

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[1] APGA Submission: Gas Fired Recovery Plan, APGA 2021
https://www.apga.org.au/sites/default/files/uploaded-content/field_f_content_file/210226_apga_submission_-_gas_fired_recovery_plan.pdf

More specifically in relation to the three focus areas of the Consultation Paper:

- Wallumbilla Gas Supply Hub
  Aside from the no-regrets reforms identified above, the virtual hub model for the Wallumbilla Gas Supply Hub displays an apparent willingness to override customer contracts and consider more intrusive forms of regulation. This represents application of a complex solution to access what is expected to be the last slither of possible market liquidity from a naturally illiquid market.
- Pipeline capacity trading frameworks
  Any benefits from the existing DAA which could lead to CTP uptake would only be expected to be seen in coming years as a reasonable majority of shippers start to recontract firm haulage. The impact of these improvements should be considered prior to considering any further reforms.
- Other enabling framework reform options
  Aside from the no-regrets options noted above, consideration of applying economic regulation to gas processing requires careful consideration in line with numerous past analyses of this suggestion, and now in line with the proposed extension of the National Gas Regulatory Framework to cover hydrogen and other renewable gases.

Undertaking reforms and initiatives which are either highly complex, override customer contracts, or result in much stronger forms of regulation should be analysed carefully. Addressing the lack of secure, long term gas supplies, rather than increasing regulatory intervention, is the key issue currently facing pipeline customers.

APGA stresses the importance of including stop-gate analysis throughout the roadmap. Stop-gate analysis prior to implementation of any reform would ensure that an evidence-based problem statement exists, a quantifiable improvement from reform is understood, and the costs and risks of reform don't outweigh the benefits in terms of the National Gas Objective. Such analysis prior to reform implementation needs to consider the impacts of reforms within the roadmap as well as the impacts of historical and adjacent reform.

Please see APGA's responses to the options to progress the east coast gas market stakeholder feedback template attached.

To discuss any of the above feedback further, please contact APGA National Policy Manager Jordan McCollum on +61 422 057 856 or jmccollum@apga.org.au.

Yours Sincerely,

STEVE DAVIES
Chief Executive Officer

Detailed Feedback

1. Existing and additional no-regrets reforms and initiatives

APGA considered the following three reforms and initiatives proposed within the Consultation Paper, and one additional initiative, as having no-regrets positive impacts on the east coast gas market in support of Energy Ministers objectives:

- Anonymised delivery within the existing Wallumbilla Hub.
- Streamlining prudential requirements across all facilitated markets.
- Government support for the development of renewable gas production.

1.1. Anonymised delivery within the existing Wallumbilla Hub

There is a direct, tangible connection between providing anonymised delivery within the Wallumbilla Hub facilitated market and increased participation in the facilitated market by existing market participants.

As identified within the Consultation Paper, there are more off-market trades occurring at the Wallumbilla Hub than via the Wallumbilla Hub facilitated market. Customer feedback confirms that one of the key reasons for this is concern about the disclosure of commercially sensitive information through the current trading process. If anonymised, it is possible that off market trades will move towards the facilitated market. The relatively simple introduction of anonymised delivery has the potential to achieve improvements without any further actions. APGA recommends that this reform should be pursued as a priority, noting that consideration must be given to what is required to comply with the 'Know Your Counter-party' and 'Anti-Money Laundering' provisions.

APGA agrees with the proposal of an Anonymised Delivery model which emulates the current CTP centralised delivery model. This would reduce implementation costs and avoid the need for added complexity through the introduction of a balancing regime. APGA highlights a preference for implementing Anonymised Delivery through a bilateral agreement between hub operator and AEMO which governs implementation as this would be the simpler of the options.

1.2. Streamlining prudential requirements across all facilitated markets

There is a direct, tangible connection between streamlining prudential requirements for Wallumbilla Hub (and all) facilitated market participants and increased participation in the (all) facilitated market(s) by existing market participants. This could also potentially lead to a marginal increase in new participation in the facilitated market. Care will need to be taken to ensure that the resulting level of prudential cover still appropriately mitigates the risk of market participant default.

Streamlining of prudential requirements represents an opportunity to positively impact those existing or potential market participants for whom facilitated market engagement is a marginally cost-effective approach energy management. As discussed in Section 2.3 below, it may simply not be practical or beneficial for some businesses to manage their own wholesale energy needs via a facilitated market.

The low complexity of this reform and its potential to support existing (and potentially some new) smaller market participants leads to APGA recommending that this reform be pursued. APGA does not hold a preference for which of the four pathways is taken to achieve this reform, however, highlights the importance of ensuring that the resulting level of prudential cover still appropriately mitigates the risk of market participant default.

1.3. Government support for the development of renewable gas production

Building on historical support for increasing gas market liquidity through government support of new natural gas production, government support of renewable gas production represents an even greater long-term opportunity to increase gas supply liquidity. Be it renewable hydrogen or renewable methane, the distributed nature or renewable gas production represents an opportunity to introduce a multitude of new gas production proponents into the market.

Renewable gas production achieves more than just emissions reduction. The east coast gas market has the opportunity to decouple from reliance on limited natural gas production locations while increasing supply liquidity through production that can be located anywhere by anyone. While renewable gas costs are currently high, the National Energy Market demonstrates the ability for a mixture of low and high energy prices to produce an acceptably low overall wholesale price of energy. This renewable supply opportunity could also result in the end to the constant pressure to find new gas reserves, as renewable gas can be produced wherever a source of biomass or renewable electricity can be found.

As discussed in its recent submissions to the extension of the NGRF to enable hydrogen and renewable gases, APGA has also identified that the distributed nature of renewable gases will lead to the provision of renewable gas infrastructure likely taking place in a highly competitive environment[2]. As Energy Minsters note their preference for effective competition over economic regulation in other consultations, such government investment support could be seen to solve for a range of goals broader than those stated in this Consultation Paper. Due to the broad positive impact of renewable gas production in the east coast gas market, APGA proposes that government support for development of renewable gas production be added to the options being considered in the Other Options section of the Consultation Paper as a highly effective, no-regrets approach to achieving Energy Minsters' objectives both in this and other Consultations.

[2] APGA Submission: Extending the national gas regulatory framework to hydrogen blends and renewable gases, APGA 2021
https://www.apga.org.au/sites/default/files/uploaded-content/field_f_content_file/211201_apga_submission_-_extending_the_national_gas_regulatory_framework_to_hydrogen_renewable_gases_energy_officials.pdf

2. Overarching Concerns

APGA raises several overarching concerns with key focus areas of the Consultation Paper:

- The rapid pace of regulatory change in the east coast gas market
- Pursuit of liquidity for liquidity's sake
- The paramount importance of small gas users
- Simple solutions are likely to be the best solutions
- Apparent willingness to advance to much stronger forms of regulation
- Apparent willingness to override existing customer contracts

2.1. The rapid pace of regulatory change in the east coast gas market

The recency in which the DAA and CTP reforms were introduced means that the east coast gas market is yet to see the full impacts of this regulatory change. The addition of draft legislation for *Measures to Improve Transparency in the Gas Market* and *Improving gas pipeline regulation* yet to pass into law, and consultation into *Extending the national gas regulatory framework to hydrogen blends & renewable gases* currently underway, means that the east coast gas market will be in a state of flux for a number of years. This Consultation represents the fifth simultaneous gas market reform process driving regulatory change in the east coast gas market. Each successive reform adds complexity to a market in flux, with reforms being progressed without the full benefits of previous reforms being realised, or even fully understood. In addition, there may be unintended consequences yet to be identified.

Reform processes require sufficient time to deliver outcomes. Without allowing sufficient time to deliver outcomes, the true state of the east coast gas market is unclear. As such, it is unclear whether or not there is still a problem which needs to be fixed through further reform processes, or what that problem truly is. As best, identifying the starting point from which further reforms can drive change is risky and challenging when starting from a market in flux. At worst, it is possible that further complex changes to the east coast gas market could have a detrimental impact counter to Energy Minsters objectives.

As an example, it is reasonable to accept that the full impact of CTP and DAA introduction in 2019 is yet to be seen. The vast majority of firm haulage contracts impacted by the introduction of the CTP and DAA will only be renegotiated as they come up for renewal in the years ahead. Changes in shipper firm haulage negotiation strategy and resultant impacts on the broader market as influenced by the CTP and DAA will not be seen until contracts are renegotiated.

Indications from shippers is that the impact of the DAA on new firm haulage contracting will result in less over-purchasing of firm capacity. This was the intent of the DAA. Once this occurs, indication is that appetite for the CTP is likely to increase where contracting rates are high. In addition, if this occurs there will also be more capacity available to other shippers to contract, thereby increasing the liquidity of the market.

This feedback demonstrates that the desired outcomes of these reforms is starting to be seen. Like many market reforms, the outcomes take many years to materialise. Taking additional lessons from the lengthy market uptake timeline for the Sydney STTM (which has been very different in the last 3-4 years compared to its first 8 years), APGA recommends that the CTP and DAA markets be left to settle for a further 24 – 36 months before significant change is considered. To interfere in the CTP and DAA markets at this stage risks shippers taking regulatory uncertainty into account when contemplating their reliance on these facilitated markets.

It is due to this state of flux that APGA appreciate that this Consultation Paper proposes the development of a Roadmap, rather than immediate implementation. APGA stresses the need to include robust stop-gate processes within the roadmap ahead of implementing any reform. These will be needed to ensure that market analysis is undertaken, determining whether the initial (or a new) problem statement is valid and the cost and complexity of reform aligns with the anticipated positive gains of undertaking reform.

Further, the rapid pace of regulatory change risks the possibility of regulatory reforms coming out of step with each other. For example, many reforms found within the Consultation Paper contemplate increased economic regulation of gas infrastructure – a known hinderance to investment in gas infrastructure. This is in opposition to the intent of the National Gas Infrastructure Plan (NGIP) which identifies that *coordinated, efficient and timely investment in gas infrastructure is critical to preserving Australia's energy security and to ensure there is internationally competitive gas for all Australians*. While the reform processes identified in Section 2.1 of APGA's submission are designed to enhance the coordination and efficiency of investment in gas infrastructure, they negatively impact the likelihood of timely investment by creating additional regulatory revenue risk for any investor seeking to achieve FID for gas infrastructure[3].

In proposing a common carriage virtual hub model for the Wallumbilla Hub or entire Roma to Brisbane Pipeline (RBP) the Consultation Paper risks negatively impacting the gas infrastructure investment environment which the NGIP seeks to bolster. In the context of the Victorian Transmission System (VTS), the common carriage regulatory model impedes investment in gas infrastructure and disincentivises innovative gas infrastructure investment. As we have seen, this results in VTS gas infrastructure investment not necessarily occurring in a timely or efficient fashion. Similarly, there is reason to expect that a virtual hub model would hinder the timely and efficient investment in new infrastructure at the Wallumbilla hub.

This proposed increase in economic regulation of gas infrastructure came two days after the release of the Australian Energy Regulator (AER) information paper on Regulating gas pipelines under uncertainty[4]. This AER information paper considers potential changes to economic regulation practices relative to gas infrastructure, considering whether *gas*

[3] APGA Submission - Improving gas pipeline regulation Draft Legislation Package Consultation, Australian Pipelines and Gas Association October 2021 https://www.apga.org.au/sites/default/files/uploaded-content/field_f_content_file/211014_apga_submission_-_pipeline_regulation_draft_legislation_consultation.pdf

[4] Regulating gas pipelines under uncertainty - Information paper, Australian Energy Regulator 15 November 2021 https://www.aer.gov.au/networks-pipelines/performance-reporting/regulating-gas-pipelines-under-uncertainty-information-paper

network businesses [should] be fully regulated on price when there may be effective competition. The AER notes that *the basis for economic regulation of infrastructure is when there are conditions in the market which severely limit effective competition* and that *it is possible that the market for the services of gas network business may evolve in future and could become effectively competitive*.

This contradictory policy and regulatory environment in and of itself is an impediment to the very gas infrastructure investment which the NGIP seeks to enhance.

2.2. Pursuit of liquidity for liquidity's sake

Proposed Energy Ministers' objectives for the two reform workstreams discussed in the Consultation Paper appear to assume that liquidity is of paramount importance.

Importantly, these objectives are accompanied by the recognition that *the issues facing the current market and potential solutions are likely to be complex and varied in nature, and any proposed changes will require careful evaluation to understand the costs and benefits of implementation.*

Liquidity is an important market characteristic. That said, there is only so much that can be achieved by market design. Market participant desire, the number of buyers and sellers, the amount of commodity available, the duration of market transactions are all factors that influence the ability of a market to develop liquidity.

The Consultation Paper sets out that customers are taking actions that are in the best interests of their shareholders. While energy markets are complex, many market participants want only an understandable, competitive price and a long-term supply contract. This allows them to focus on their core business, whatever that may be.

Increasing expense and complexity through socialisation of costs in a zonal Wallumbilla Hub or altering the DAA in search of greater CTP uptake may have a negative impact on customers. In developing a roadmap, an understanding of customer desire for intended regulatory outcomes and other factors that influence liquidity should be used as a stop-gate metric analysis when considering these more complex, more costly regulatory actions.

APGA wishes to finally restate the importance of increased gas supply as the most effective way to increase supply liquidity in the east coast gas market.

2.3. The paramount importance of small gas users

Justification for pursuing more liquid gas markets can be founded in Energy Ministers' goal of small user engagement in the gas market. *Uncertain price signals and illiquid markets* in the Wallumbilla Hub, or *inconsistencies in fee structure* or *suboptimal timetables* in the CTP are both specifically detailed as issues preventing small gas user engagement.

In practice, there is a tangible lower limit to the size of a wholesale gas customer. This lower limit is due to the expense of the in-house expertise required for self-management of energy supply, as well as the risk and expense of maintaining sufficient contractual rights to gas and gas transport in order to ensure security of supply. This is evidenced by the ACCC Gas Enquiry 2017 – 2025 January 2021 Interim Report which notes:

"a number of users report that participation in facilitated markets increases costs for their business, as they have to take a more active role in managing price risk"[5]

For a small customer, energy is typically a portion of operational costs – an important potion but a portion no less. It is possible for a gas customer to optimise a portion of this portion of costs through the expense of managing their own energy portfolio. Risking the effectiveness of a business's energy supply portfolio through self-management to achieve a fraction of a fraction of operational cost optimisation does not tend to pass risk assessment until energy costs become substantial.

The growing prominence of third-party traders acting within the Wallumbilla Hub and other facilitated markets is likely to be evidence of the preference of small gas users to not actively engage in gas markets. It is also likely that most small gas users want an understandable, competitive price and a long-term supply contract for their gas needs. Where a small gas user is interested in engaging in facilitated markets, it is more likely they will look to the facilitated markets of the STTM and DWGM that provide flexibility at demand centres without the complexity of managing short-term supply and transportation services.

While the role of small gas users and their ability to participate in facilitated markets is a useful consideration, designing markets to be specifically accessible to small gas users is unlikely to deliver optimal outcomes. It is likely that small users are most interested in seeing an effective reference price established at Wallumbilla rather than a complex market they are required to participate in on a daily basis.

2.4. Simple solutions are likely to be the best solutions

To repurpose Occam's Razor, the simplest solution is usually the best one. From the most basic cost-based principles to the more complex recognition of an east coast gas market in regulatory flux, APGA recommends that the simplest reform options be considered before more complex reform options. As detailed under each of APGA's no-regrets policy options, it is likely that the greatest shift towards Energy Minsters' objectives will also be achievable through the simplest of the proposed reform options.

Compared to the relatively simple anonymous delivery and prudential streamlining solutions, developing a virtual hub model for the Wallumbilla Hub is a significantly more complex solution that may not deliver enhanced outcomes proportionate to its increased cost and complexity. Ensuring that simpler solutions are allowed to demonstrate their relative success will be necessary to compare the costs of more complex solutions relative to their achievable market benefits. In considering the more complex virtual hub options, the consultation process should carefully consider why a customer would wish to trade in a geographically distant facilitated market when a geographically collocated facilitated market is available.

This philosophy also rings true in the case of the CTP and DAA. The more complex options proposed such as reviewing bidirectional pipeline restrictions, reviewing firmness of auction

[5] ACCC Gas Enquiry 2017 – 2025 January 2021 Interim Report, ACCC 2021 https://www.accc.gov.au/system/files/Gas%20Inquiry%20-%20January%202021%20interim%20report_3.pdf

product, opening access to primary capacity products or introducing dynamic backhaul all sound simple, but have significant operational complexities and implications for future gas infrastructure investment. Noting the experience of the Sydney STTM, simply providing sufficient time for markets to take effect will likely lead to an increase in market liquidity without the additional cost and complexity of additional reforms – the uncertainty from which may even serve to dissuade users in the coming years.

2.5. Apparent willingness to advance to much stronger forms of regulation

While not stated specifically, there is little expectation that a Virtual Hub model will be able to be implemented while maintaining the current Contract Carriage form of regulation found around the Wallumbilla Hub (and RBP). The willingness to consider a virtual hub model includes an apparent willingness to endorse the transition to a common carriage regulatory model for the infrastructure comprising the Virtual Hub. Such step changes in form of regulation should be considered extremely carefully noting that only one transmission pipeline system in Australia is currently subject to a similar form of economic regulation – the much larger and more dynamic Victorian Transmission System – and it is experiencing a unique set of investment issues in the current environment.

The common carriage regulatory model is likely to impede innovative investments in the gas industry. Beyond impacts to the ability to finance investments within common carriage regulatory processes, a lack of market signals impedes the ability for investors to proactively invest in the infrastructure the market needs.

2.6. Apparent willingness to override existing customer contracts

Regulatory interference with contractual arrangements between private corporations should not be taken lightly. Several proposals in the Consultation Paper could have this outcome:

- restricting firm shipper renomination rights in the CTP proposals;
- modifying contract interactions with the Wallumbilla Hub in the virtual hub proposal; or
- nullifying all contracts across the Wallumbilla Hub in the virtual hub proposal.

Energy Ministers should exercise caution with proposals that interfere with existing customer contracts. Within the gas industry, this apparent willingness to override contractual arrangements serves to undermine service and price certainty for customers, and revenue certainty for infrastructure investors. This in turn undermines customer confidence in contracting services and investor confidence when making final investment decisions (FID) on gas infrastructure investment. This is directly counter to federal government intentions as signalled via the National Gas Infrastructure Plan and should be considered in relation to Energy Minsters' objectives.

3. Feedback on Consultation Paper sections

APGA provides more detailed feedback relating to the following specific sections within the Consultation Paper:

- Consultation Rationale
- Wallumbilla Gas Supply Hub
- Pipeline capacity trading frameworks
- Other enabling framework reform options

3.1. Consultation Rationale

The articulated rationale for undertaking the Consultation could better recognise adjacent reform activity. In failing to recognise adjacent reform activity, the Consultation Paper seeks to solve problems experienced in a market which will be materially different once the two existing legislation packages and adjacent NGRF extension consultation come to fruition.

While there are some clear no-regrets reforms and initiatives which could be implemented early within the roadmap as noted in Section 1, APGA recommends analytic steps be included within the roadmap to ensure that the effects of reforms which are currently underway are understood before the consideration of further reform. Further, the rationale must be checked to ensure that it is still valid at each step in the reform roadmap, and especially before considering more complex reforms.

3.2. Wallumbilla Gas Supply Hub

In comparison with the more liquid STTM and DWGM facilitated markets, the Wallumbilla Gas Supply Hub has a fundamental difference. While the STTM gas hubs are located central to gas demand locations, the Wallumbilla Gas Supply Hub is located central to gas supply. It is reasonable to expect significant liquidity in demand side facilitated markets due to their proximity to many customers and the ease for these customers to purchase gas straight from the market. Customer interaction with a supply side hub requires transport management, making it simpler for gas suppliers but more complex for gas customers. The consultation process should carefully consider why a customer would trade in a geographically distant facilitated market when a geographically co-located facilitated market is available.

Tangible recommendations for the Wallumbilla Gas Supply Hub portion of the Consultation Paper include:

- Targeting no-regrets reforms early in the Roadmap:
    - Anonymised Delivery
    - Streamlined Prudentials
- Use of stop-gate analysis throughout the roadmap prior to implementation of any reform to ensure an evidence-based problem statement exists, a quantifiable improvement from reform is understood, and the costs and risks of reform don't outweigh the benefits in terms of the NGO.; and
- Careful consideration of the impacts of much stronger forms of regulation required to deliver the virtual hub model relative to market needs and other market influences.

3.2.1. No-regrets reforms

As identified in Section 1.1 and 1.2 above, the Anonymised Delivery and Streamlined Prudentials reforms identified within the Consultation Paper represent no-regrets reforms which can have no regrets outcomes. As tangible solutions to problems, these reforms have a direct connection to significant and achievable uplifts in market liquidity in the Wallumbilla Gas Supply Hub. APGA anticipates that the majority of current off-market trades identified in Figure 2 of the Consultation Paper would pass through the facilitated market following implementation of these no-regrets reforms.

3.2.2. Wallumbilla Gas Supply Hub Virtual Hub Model

The proposed implementation of a virtual hub model for the Wallumbilla Gas Supply Hub should be carefully considered relative to Energy Ministers' objectives. The implementation of a virtual hub model displays apparent willingness to override customer contracts and advance much stronger forms of regulation. Further, this willingness and the complexity of this proposal likely only targets a minimal marginal increase in market liquidity following greater understanding of small gas customers and the implementation of no-regrets reforms.

Once the current round of economic regulatory reforms (Section 2.1) and no-regrets initiatives (Section 3.2.1) have been allowed time to properly embed, APGA anticipates that the vast majority of potential participation in the facilitated market will have transitioned to market utilisation. After this, careful consideration should be given to the relative benefit of the complex, invasive and complex handed changes required to implement a virtual hub model. Not only should the economic reality of small gas users be taken into account (Section 2.3), but the impediment to innovative investment in and around the virtual hub should also be weighed up, especially considering the opportunity of supply liquidity driven by renewable gas production across the coming years (Section 1.4).

3.3. Pipeline capacity trading frameworks

APGA considers there are a number of fundamental issues that need to be considered when assessing the need for DAA and CTP reforms. As such, APGA's recommendations for the Pipeline Capacity Trading portion of the Consultation Paper include:

- Targeting no-regrets initiatives early in the roadmap identified in Section 3 of the Consultation Paper:
    - Anonymised Delivery
    - Streamlined Prudentials
- Not implementing further reforms around the CTP and DAA until:
    - Sufficient time has passed to allow for the cadence of firm contracting to reveal the impact of these past reforms on market behaviour; and
    - Consideration for the impacts of parallel regulatory reforms are able to be factored into whether further action is necessary.
- Use of stop-gate analysis throughout the roadmap prior to implementation of any reform to ensure an evidence-based problem statement exists, a quantifiable improvement from reform is understood, and the costs and risks of reform don't outweigh the benefits in terms of the NGO.; and

- Careful consideration of the impacts of all proposed reforms in this section

3.3.1. Premise

In a market which contracts on a 3- 5- 10-year basis, the impacts of market reform are not felt overnight. If the DAA was to have an impact on market behaviour, it would likely manifest in two main ways:

- Customers purchasing firm haulage to block competitors would find that this was no longer an effective strategy, hence would be less likely to purchase historically high volumes of firm haulage; and
- Customers who valued transport service firmness above as available service levels, but only use transport services on a sporadic basis and don't require fully firm services, would now see less reason to secure firm haulage services, making them less likely to purchase historically high volumes of firm haulage.

In both cases, any changes in market behaviour will only occur at the cadence of contract renewal. The CTP and DAA have been operational for around two and a half years. Factoring a delay in participant reaction to the newly forming market conditions, it is reasonable to expect that evidence of market reaction to CTP and DAA introduction would only begin to occur across the coming years.

This is an important point, as the impact of the DAA is expected to both free up firm capacity for other shippers, and to drive an uplift in CTP uptake once market participants reduce firm haulage purchases. From here, the attractiveness of accessing short to medium term secondary capacity is expected to rise, taking the place of previous high firm haulage rights in the instances where these are needed. To base the need for further CTP and DAA market reforms on the lack of evidence of CTP uptake despite the fact that such supply liquidity is only expected to arise in coming years should be carefully considered.

Similarly, APGA questions the approach of basing regulatory change upon a lack of incentives when not all existing regulatory powers have been utilised to facilitate market uptake. Existing regulatory provisions surrounding the disclosure of secondary trades appear to be neither adhered to nor enforced. Prior to proposing more reform and/or regulation to drive market uptake, existing provisions should be more consistently applied to consider their potential effectiveness in market facilitation.

Beyond these points, APGA questions three aspects of the premise upon which the CTP requires reform – the lack of incentives to trade capacity on the CTP, the paramount importance of small gas users, and the market power of pipeline operators for short-term capacity.

3.3.1.1. Lack of incentives to trade capacity on the CTP

Identifying aspects found in Section 4.1.1 of the Consultation Paper as *potential problems* leading to a lack of incentive to trade which need to be *addressed* is concerning. The need and benefits of CTP appears to be taken as a given. It is appropriate to consider:

- In a market with firm, contract services, flexible services and a low cost DAA, the value of any CTP may be very low.

- In a market that already has a low number of participants, there are unlikely to be many market participants that will see value in capacity access that is measured in weeks or months.

Not only is there no incentive to trade capacity on the CTP but doing so may be inferior to current practices. The issues raised in Section 4.1.1 of the Consultation Paper should not be seen as problem to be addressed. Rather, these are realities of the east coast gas market that should be taken into account.

Market participants make decisions that have proven to be effective in ensuring security of supply to themselves and retail gas and electricity customers over many years in many challenging circumstances. As noted above, as contracting behaviour changes over time, the CTP may become a useful tool for some market participants. It is not clear that there is reason to materially alter it now.

3.3.1.2. The paramount importance of small gas users

The paramount importance of small gas users is seen here again in the suggestion that inconsistencies in fee structure and suboptimal timetables are impeding small shippers from participating in the CTP. These impediments pale in comparison to the economic impost of developing sufficient operational capability and contracts to effectively manage the risk and optimisation of a business's energy needs. It will not be the removal of these small hurdles that result in small user engagement in the CTP, when it is likely small users are simply not interested in interacting with the supply hub.

3.3.1.3. Market power of pipeline operators for short-term capacity

This Consultation Paper does not appear to have considered pending legislation following the Improving gas pipeline regulation consultation[6]. Following the completion of the legislative changes to the NGRF to strengthen pipeline regulation, all pipelines will be covered by one of two economic regulatory frameworks once legislation is enacted.

APGA notes that the purpose of legislation arising from the Improving gas pipeline regulation consultation will address the concerns raised in Section 4.1.5 of the Consultation Paper. As such, the consultation should not seek to address this aspect of the Section 4 premise as legislation already exists to achieve this end.

3.3.2. Proposed reforms

Each reform proposed in Section 4 of the Consultation Paper requires careful consideration.

3.3.2.1. Reviewing fee structures and levels

Reviewing fee structures and levels must maintain the right of service providers to recover the costs of implementing changes to regulation. Simplification must not result in service providers incurring costs for enabling market reforms that lower costs and provide value to

[6] Improving gas pipeline regulation Proposed legal package to give effect to the Decision Regulation Impact Statement Consultation Paper, Federal Department of Industry, Science, Energy and Resources, September 2021
https://web.archive.org.au/awa/20211005090625mp_/https://energyministers.gov.au/sites/prod.energycouncil/files/publications/documents/Pipeline%20RIS%20Legal%20Consultation%20Paper%20September%202021.pdf

market participants. APGA considers that the current cost recovery mechanism in s634 of the NGR and oversight by the AER in s635 are appropriate and no further regulation is required.

3.3.2.2. Reviewing bidirectional pipeline restrictions

The introduction of a backhaul product in the DAA for bidirectional pipelines will lead to the introduction of products which are not physically possible to deliver. Backhaul products are more complex than contemplated within the DAA, and further increases to availability of backhaul products in the DAA, especially for bidirectional pipelines, will likely require a step change increase in pipeline management capability. This increase in CAPEX and OPEX in order to accommodate regulatory change is not expected to be proportionate to the value which would be obtained through expansion of the DAA market in this way. This increase in costs will need to be recovered from customers as is the case for previous cost of DAA implementation.

As a complex topic, APGA invites DISER and Energy Ministers to further engage with APGA on this topic in particular so to gain a better understanding of what is required to facilitate this regulatory change.

3.3.2.3. Alleviating issues around auction timing

Altering auction timing by 1 hour is unlikely to result in any impact beyond increasing system costs through the requirement to modify existing systems and processes. What this will achieve however is additional cost and complexity for service providers. Additional pressure will also be added to service providers who already undertake complex operational assurance activities within the already tight timeframes. Making these timeframes tighter also risks an increase in service provider error in setting Auction Quantity Limits (AQLs) – a task which is difficult enough to do accurately within current required timeframes.

APGA is aware there are smaller shippers who source gas after their DAA bids are accepted/won. If nominations are automated there is a risk that these smaller shippers may not have gas sourced for use. Energy Ministers need to understand how these market participants would manage this risk.

3.3.2.4. Reviewing firmness of auction product

This reform displays an apparent willingness to override customer contracts. Not only will this negatively impact market certainty for customers and their willingness to enter long term Gas Transportation Agreements (GTAs) (leading to flow on negative impacts on foundation contracts for infrastructure investment), but this reform risks also undermining the security of supply for retail gas and electricity customers throughout short-term demand peaks. The proposed amendments to firmness of the auction production would impede the ability of primary capacity holders to renominate in response to short-term demand peaks or other security of supply scenarios.

The Consultation must not lose sight of the fact that gas and electricity (produced via Gas Power Generation (GPG)) are critical resources. In the case of gas for GPG, this importance is recognised by the Gas Supply Guarantee[7]. Referring to either a retail or GPG shippers' choice to not trade pipeline capacity or the DAA firm renomination rights as *problems* to be *addressed* should be closely considered in light of Energy Ministers' objectives.

This is a critical issue, given that interference in customer contracts and in the ability of infrastructure service providers to meet contractual commitments represents significant sovereign risk to investors. The potential implications of this proposal need to be fully understood.

3.3.2.5. Opening access to primary capacity products

This proposed reform duplicates the ability for gas customers to access capacity in a standardised way, hence appears to provide no additional value for increased cost and complexity. This reform also indicates that implementation would include standardised services which may be priced under some form of pricing mechanism. Pipeline service providers engagement with customers indicates that customers are far more interested in products customised to their requirements than in standardised products. Further, the approach of utilising some form of pricing mechanism risks distortion in the contracted firm haulage market which, in the case of both scheme and non-scheme pipelines, is intended to still operate under a negotiated price model.

3.3.2.6. Other options considered

APGA recognises that the Consultation Paper does not propose to further progress a number of other options based on preliminary issues identified. In particular, we highlight that the proposed dynamic backhaul approach does not recognise the complex relationship between forward haul and backhaul capacity. While the concept proposed in the Consultation Paper may work for a simple bidirectional pipeline which is bidirectional end to end, it does not consider pipelines where the pipeline may flow towards a middle point. In these circumstances, pipelines require significant reconfiguration to transition from a central delivery point to a delivery point at either end, leading to the potential for failure to deliver nominated quantities if backhaul quantities are dynamically calculated without operator intervention to ensure operational practicalities are considered.

Additionally, implementation of dynamic backhaul in the DAA would require a significant uplift in operational capability in order to provide operational assurance to dynamic backhaul outcomes. This would require additional CAPEX and OPEX deployment by service providers for which service providers would need to be able to recover their costs. This proposition must be considered alongside the review of fee structures and levels in ensuring that service providers are reasonably able to recover all costs associated with CTP and DAA, including the cost of implementing new, more complex operational assurance activities to enable dynamic backhaul DAA products.

3.3.3. Alternate reform – Anonymity and Streamlined Prudential Requirements

Notwithstanding the above positions and recommendation to take no action on the CTP and DAA, if any no-regrets reforms have merit in increasing CTP liquidity it would be the anonymity and prudential provisions raised with respect to the Wallumbilla Gas Supply Hub.

[7] Review of the Gas Supply Guarantee, Australian Energy Market Commission 2021 https://www.aemc.gov.au/market-reviews-advice/review-gas-supply-guarantee

It is uncertain whether these would have any greater chance of success compared to other proposed reforms, however these proposed reforms are at least simple enough to implement.

Pipeline capacity trading is occurring – just not on the CTP. As all parties are familiar with one another, there is no incentive to pay additional CTP costs in order to undertake transactions. With the proposed reduction in costs and the addition of streamlined prudential requirements and anonymity, it may be possible to entice some users onto the CTP side of the CTP. These are not expected to address the core facts outlined in 3.3.1 above, however there is no reform or initiative beyond the least reasonable regulatory approaches which could change businesses making value-based decisions which achieve the best outcomes for their shareholders.

3.4. Other enabling framework reform options

The other enabling framework reform options proposed within the Consultation Paper appear somewhat unexpectedly within this consultation process. Considering some display an apparent willingness to override customer contracts and move to much stronger forms of regulation, it should be carefully considered whether sufficient evidentiary basis exists for undertaking such intrusive reforms or initiatives.

Tangible recommendations for the Other Enabling Framework Reform Options portion of the Consultation Paper include:

- Enabling government investment support in specific circumstances, including Investment in renewable gas production
- Use of stop-gate analysis throughout the roadmap prior to implementation of any reform to ensure an evidence-based problem statement exists, a quantifiable improvement from reform is understood, and the costs and risks of reform don't outweigh the benefits in terms of the NGO; and
- Careful consideration prior to any application of economic regulation to gas processing facilities, in particular considering the potential negative impact on combined processing and transport contracts and renewable gas production.

3.4.1. Third-party access to gas infrastructure

APGA has long maintained that the gas infrastructure industry will deliver a pathway to market for any commercially viable gas production opportunity. While we have largely maintained this position on gas pipeline infrastructure, the same logic applies for gas production infrastructure – where commercially viable supply exists, the gas infrastructure industry will provide a production and processing pathway to the east coast gas market. This was demonstrated across past years by both Jemena and APA Group with their respective gas production infrastructure investments[8,9].

[8] Processing Facilities, Jemena 2021
https://jemena.com.au/pipelines/processing-facilities
[9] Orbost Gas Plant, APA Group 2021
https://www.apa.com.au/about-apa/our-projects/orbost-gas-plant-upgrade/

As identified by APPEA in its submission to the ACCC Gas inquiry 2017-2025 Review of upstream competition and the timeliness of supply, this is not the first time that this concept has been considered, with a significant number of inquiries touching on the potential economic regulation of gas processing since 2014[10]. APGA notes that in each instance, inquiries have not resulted in economic regulation of gas processing infrastructure, and that there is no discernible new information provided within the premise of the Consultation Paper beyond that included in any prior inquiry considering this option.

APGA recommends any further consideration of this reform option alongside recently drafted legislation following the *Improving gas pipeline regulation* reform process. Under these reforms it was proposed to extend the ringfencing requirements in Part 2 of the NGL to all pipelines. This risks the unintended consequence of requiring processing facilities to be ringfenced from the respective pipeline businesses in instances where innovative contracting practices have led to the development of integrated processing-plus-transport services. As these services have been sought out by customers and lead to better outcomes for customers, this process and adjacent processes need to ensure customer interests are not risked through seemingly simple reform options.

In response to the proposed extension of the NGL ringfencing requirements to all pipelines, APGA considers that the definition of 'related business' should be changed to avoid the unintended consequences referred to above. If this definition is not clarified to address this issue, transitional arrangements would need to be included in the package to ensure relevant facilities are exempt from ringfencing obligations in Part 2 of the NGL, reflecting that these commercial and contractual arrangements were made prior to the reforms being proposed. Similar measures would need to be implemented if the third-party access to gas processing facilities proposal in this Consultation Paper was acted upon. APGA note that a standing exemption would be more appropriate for prospective processing facilities which would be unintendedly captured by the ringfencing rules.

Furthermore, considering the simultaneous process undertaken to extend the NGRF to cover hydrogen and other renewable gases, care will also need to be taken to ensure that similarities and differences between natural gas processing facilities and renewable gas processing and blending facilities are taken into account. In the event that the NGRF extension process decides that the economic regulation of Constituent Gas processing and blending facilities shall not be subject to economic regulation, there is the possibility of this process to overrule this position and apply economic regulation through the current definition used to identify gas processing in the NGL. Alternately, if different approaches are maintained between natural gas and renewable gas, there is the risk for market distortion between natural gas and renewable gas processing facilities.

It is hoped that through exploring these points above, the relative necessity and complexity of this proposed reform become a point of focus if considered at all in the roadmap to be developed following this consultation.

[10] ACCC review of upstream competition and timeliness of supply: Issues Paper, APPEA 2021 https://www.accc.gov.au/system/files/APPEA%20Submission%20%28Attachment%29.pdf

3.4.2. Improving contracting practices to support greater on-screen trading and liquidity

It is not clear to APGA how this could be achieved without restricting innovative contracting practices available to customers to reduce overall energy costs. Regulatory interference in contracting practices which force customers into facilitated market use, or penalise customers for not using the facilitated market, should be carefully considered.

3.4.3. Potential government support for infrastructure

APGA maintains that government investment support in energy production, transport or storage infrastructure risks market distortion. As identified in Section 1.3, an exception to this rule may be the development of gas infrastructure for non-market specific purposes. Any government investment support could require co-investment by industry matching such that typical gas and gas transport pricing arise from the projects, resolving the market distortion risk.

Attachment A: Options to progress the east coast gas market – Stakeholder feedback template

Submission from Australian Pipelines and Gas Association

The template below has been developed to enable stakeholders to provide feedback on the paper Options to advance the east coast gas market, in particular:

- Key issues and barriers to performance, participation and liquidity of the Wallumbilla Gas Supply Hub, and potential policy options
- Key issues and barriers to effectiveness of the pipeline capacity trading framework, and potential policy options
- Broader issues and options which could enable greater liquidity and participation through related enabling frameworks

Officials strongly encourage stakeholders to use this template, so that it can have due regard to the views expressed by stakeholders on each issue. If you wish to provide additional feedback outside the template, wherever possible please reference the relevant question to which your feedback relates.

Chapter 2: Rationale for undertaking consultation

Section 2.4 What are the objectives of Energy Ministers?

<table>
<tr><th>No.</th><th>Questions</th><th>Feedback</th></tr>
<tr><td>1</td><td>Do you have any comments about the rationale for undertaking consultation? Does the rationale broadly cover the issues that you face in your interaction with the gas market?</td><td>The rationale for undertaking this consultation is formed upon views which predate two significant legislative reform packages awaiting passage through South Australian Parliament and an adjacent consultation to expand the National Gas Regulatory Framework (NGRF) to hydrogen and other renewable gases. As such, APGA proposes that any roadmap include robust stop-gate analysis to ensure an evidence-based problem statement exists, a quantifiable improvement from reform is understood, and the costs and risks of reform don’t outweigh the benefits prior to reform implementation.

APGA raises six overarching concerns relating to the rationale behind the consultation as well as the initiatives proposed upon this foundation:
The rapid pace of regulatory change in the east coast gas market
Pursuit of liquidity for liquidity’s sake
The paramount importance of small gas users
Simple solutions are likely to be the best solutions
Apparent willingness to advance to much stronger forms of regulation
Apparent willingness to override existing customer contracts
These are elaborated upon in greater detail in APGA’s Submission Cover Letter.</td></tr>
</table>

No.	Questions	Feedback
2	Are there any issues which have not been identified which Energy Ministers should consider in the context of undertaking these workstreams?	Need for Stop-Gate Analysis Recognising the proposed output of this Consultation being Roadmap to progress reforms in the east coast gas market, APGA highlights the need for stop-gate analysis through which the state of the east coast gas market of the day is thoroughly analysed. This will be necessary to ensure that the reforms proposed as fit for purpose and still justified in light of the state of the east coast gas market of the day. By way of example, the impact of existing regulatory reform processes on the state of the market cannot be known today. These reforms target solutions to problems in the east coast gas market prior to the implementation of reform processes currently underway, hence risk action being taken unnecessarily or unintended outcomes through the application of outdated solutions to an unknown future market state. Similarly, the reforms proposed in this consultation will modify the state of the market. Assuming that the reference to a Roadmap implies that not all initiatives will be actioned at once, it would make sense to test market conditions for solution relevant and reasonability before implementing successive market reforms. This also supports the concept of undertaking quick win solutions first, as these have the opportunity to do sufficient heavy lifting to no longer require more costly or complex reforms down the track. Supply Liquidity through Renewable Gas Production APGA identify support for renewable gas production development as an unidentified opportunity to increase supply side liquidity in the east coast gas market. Distributed in nature, renewable production of hydrogen and methane are distributed in nature, being able to be located anywhere and at any scale. Expanding the number of potential suppliers beyond the natural gas production industry has the potential to lead to more new producers entering the market than this process seeks to entice into the market from existing bilateral trades.

No.	Questions	Feedback
3	Do you have any comments about the proposed objectives of this work?	The objectives of this work appear to assume that: a) Increased participation and liquidity in the Wallumbilla Gas Supply Hub is infinitely achievable and in the best interests of gas customers; and b) The value and scope for competition in the Pipeline Capacity Trading (CTP) framework is infinitely achievable and in the best interests of customers. APGA proposes that these assumptions do not reflect the reality of the east coast gas market. There is a limit to liquidity in the Wallumbilla Gas Supply Hub, and a limit to the value and competition which can arise from the CTP. In developing a roadmap to achieve these objectives, the possibility that the boundless pursuit of these objectives does not represent the best outcome for the east coast gas market must be considered. To this end, APGA recommends that the roadmap proposes activities in a step wise manner, between which stop-gate analysis could occur. After each initiative step, analysis of the east coast gas market to understand market behaviour will ensure successive initiatives are targeted, fit for purpose and will deliver a net benefit to the east coast gas market. Greater analysis of the real circumstances surrounding both of these markets is required to ensure costly and complex reforms which do not achieve a net benefit to the east coast gas market are avoided.

Chapter 3: Consultation focus 1: Wallumbilla Gas Supply Hub

Section 3.1 What are the potential problems?

No.	Questions	Feedback

4	Do you agree with the problems that have been identified for Wallumbilla GSH and what effect do you think they could have on meeting the objectives outlined in Chapter 2.4?	APGA agrees with the problem of a lack of anonymity while trading in the Wallumbilla Hub. There is a clear connection between off-screen trades identified in Figure 2 of the consultation and this lack of anonymity. APGA anticipate that the vast majority of off-screen trades occur in order to protect commercial in confidence information, hence the greatest impact on Wallumbilla Hub liquidity will come from addressing the lack of anonymity in the Wallumbilla Hub. APGA also agrees that inconsistent or high credit requirements would impede either the activities or engagement of Wallumbilla Hub market participants (or potential market participants) for whom market participation is marginally viable. This seems like a logical improvement across all facilitated markets with potential benefit which could reach broader than the Wallumbilla Hub alone. APGA considers these two problems as the least costly or complex to solve while imposing the greatest actual constraints to market liquidity and participation. APGA does not agree with the remaining problems in Section 3.1 of the consultation. The remaining "problems" described in section 3.1 represent customer business practices which are either in the best interests of the customers and unlikely to change regardless of proposed reforms, and/or do not demonstrate support for gas infrastructure investors. The utilisation of bilateral trades provides great value to gas customers today. The identification of bilateral trades as a problem shows disregard for the right of a gas customer to choose a course of action which is best for the particular businesses circumstances. The specific identification of C&I users here is addressed in APGA's cover letter Section 2.3, in which APGA identifies that there is very little which market reforms can do to make facilitated market engagement a greater value to C&I gas customers than existing energy management solutions short of forcing gas customers to make choices which are not in the best interests of their shareholders. This small customer experience, alongside the number of producers in proximity to the Wallumbilla Hub, help explain the number of participants in the Wallumbilla Hub. Additionally, there are fundamental differences in customer engagement in supply side and demand side facilitated markets. Customers engaged in demand side markets require fewer additional commercial rights above and beyond the right to trade in the facilitated market in order to receive gas secured in the market. On the other hand, trading in supply side markets requires customers to have sufficient firm haulage right to ensure that gas secured in the market can reach their demand location.

No.	Questions	Feedback
		Finally, the unconsolidated trading liquidity problem characterises the nature of commercial gas contracts into, out of and around the Wallumbilla Hub as a problem. This displays an apparent willingness for governments to interfere with existing customer contracts and sends a strong signal to potential gas infrastructure investors that investment decisions are not secure. This message is contradictory to the message of the National Gas Infrastructure Plan (NGIP), which makes the case for increased gas infrastructure investment in coming years. This suggestion needs to be carefully considered by Energy Ministers in light of the need for greater gas infrastructure investment across the coming decade.
5	Are there any other problems that you think should be considered? If so, please set out what they are, what effect they may be having on liquidity at Wallumbilla GSH, and how these problems could be addressed.	No.
6	Are there structural issues regarding the nature of supply and demand for gas in Australia which could impact the success of reforms aimed at increasing liquidity of gas markets?	While there are not structural issues per say, there are genuine structural realities of the east coast gas market and the Wallumbilla Hub region which need to be considered in order to develop measured and effective regulatory reform. The Wallumbilla Hub is central to supply side participants. This makes it impractical for demand side participants to engage in this facilitated market as they require access to transport and for any supply won. While the Day Ahead Auction (DAA) does provide some access to transport, combining unfirm supply with unfirm transport greatly increases the risk for customers in engaging with the Wallumbilla Hub market. This is in contrast to the demand side markets of the STTM and DWGM. Customers only need to trade one product in these demand side markets, representing a significantly lower risk option compared to trading in the Wallumbilla Hub facilitated market. The east coast gas market is not as big as the US gas market. Expecting the Wallumbilla Hub to be able to replicate the same liquidity of the Henry Hub is akin to expecting the ASX to develop the same trading volume as the New York Stock Exchange. It can't be done. While liquidity can be improved, there is a limit to this improvement. Ensuring that highly costly or complex measures are not implemented for the sake of one or two more market participants will be one key measure of whether a resultant roadmap seeks to act in the best interests of customers, or simply in the name of seeking liquidity for liquidity's sake.

Section 3.2 How could these problems be addressed?

Section 3.2.1 Anonymised delivery

No.	Questions	Feedback
7	What benefits could anonymised delivery offer for gas market participants which could assist in achieving the objectives in Chapter 2.4? What do you think the costs and benefits of implementing such an option would be to your business in terms of your participation in the Wallumbilla GSH?	Anonymised Delivery represents a low complexity solution which is able to achieve the greatest tangible outcome for increased liquidity for the Wallumbilla Gas Supply Hub. There is a clear connection between off-screen trades identified in Figure 2 of the consultation and a lack of anonymity through market activity. APGA anticipate that the vast majority of off-screen trades occur in order to protect commercial in confidence information. As such, the greatest positive impact on Wallumbilla Hub liquidity is likely to come from the anonymised delivery reform initiative.

No.	Questions	Feedback
8	What do you believe would be the most appropriate design for an anonymised delivery model at Wallumbilla GSH? (a) Is a model which emulates the CTP most appropriate for anonymised delivery of gas traded through the GSH? (b) What balancing regime represents the best trade-off of complexity and benefit to liquidity? (c) Would implementation via a Rule change or bilateral agreement be more preferable in terms of achieving the NGO?	There is no problem statement requiring the response of a new balancing market at the Wallumbilla Gas Supply Hub. APGA proposes that the most appropriate design for an anonymised delivery model at the Wallumbilla Gas Supply Hub would be a model which is in line with the existing structure for non-delivery in the market. Anonymising the existing system represents the least costly, least complex solution, with the market operator being able to leverage similar settlement process to the DAA in the event of non-netted trades. APGA sees no need for a more complex whole of market balancing mechanism such as the MOS mechanism in the STTM. This is not needed thanks to the relative simplicity of the Wallumbilla Hub, as well as the reliability of trades which occur across the hub. Complex whole of market balancing mechanisms are implemented in direct response to even greater market complexity, such as that seen in demand side facilitated markets. Demand side facilitated markets have orders of magnitude more receipt and delivery points to manage, relative to which a balancing mechanism is relatively simple. Being a supply side facilitated market, the Wallumbilla Gas Supply Hub is much simpler than the demand side markets like the STTM. As such the relative complexity of a balancing mechanism would be unlikely to produce a net benefit relative to the simplicity of the market. Further, trades within a supply side facilitated market are inherently more reliable than in demand side facilitated markets. Participants in supply side markets such as the Wallumbilla Gas Supply Hub are generally large, sophisticated gas producers and customers which are able to trade with accuracy and manage the possibility of trades being mismatched on a real time basis. Compared to the impact of variable of gas demand in a demand side facilitated market, the likelihood of imbalance across an anonymised Wallumbilla Gas Supply Hub is rare.
9	In terms of an implementation roadmap, what importance would you place on addressing this issue and over what timeframe?	APGA proposes that this be the part of the first round of Wallumbilla Hub reform initiatives. A reasonable bedding in period should be secured following reform implementation, after which analysis of the potential advantage of further reforms should occur. This will help ensure that further reforms fully consider the new state of the east coast gas market following this reform.

Section 3.2.2 Streamlining prudential requirements

No.	Questions	Feedback
10	Do you think there is likely to be a net benefit in harmonising prudential requirements across the east coast facilitated gas markets? What effect do you think this will have on your business, and suppliers and users more generally?	Streamlining prudential requirements represents a low complexity solution which could reasonably achieve a tangible increase in small participant activity or engagement. A lesser outcome than anonymised delivery, this initiative would support participants (or potential participants) for who the value of market engagement is marginal by making market engagement slightly less marginal. The simplicity and wider reaching market improvement potential of this initiative makes it worthwhile even if it would likely only support increased activity or engagement by a small number of market participants.
11	Do you think the introduction of the ASX physical delivery futures product will alleviate the current concerns around collateral requirements of forward-dated products? If not, please explain why.	The introduction of the ASX physical delivery futures product is seen as an overall improvement for the Wallumbilla Gas Supply Hub, representing non-intrusive market solutions to perceived problems. In adjacent consultations, Energy Minsters demonstrate a recognition that competitive markets achieve better outcomes than regulation, and the ASX physical delivery futures product is an example of this opportunity in action. APGA ponders the absence of the Energy Ministers philosophy of competitive solutions being preferable to regulation in this consultation.
12	Which option for sharing prudential requirements do you consider would be likely to offer best value for money? Are there other options that should be considered?	
13	In terms of an implementation roadmap, what importance would you place on addressing this issue and how quickly do you think it needs to be addressed?	APGA proposes that this be the part of the first round of Wallumbilla Hub reform initiatives. A reasonable bedding in period should be secured following reform implementation, after which analysis of the potential advantage of further reforms should occur. This will help ensure that further reforms fully consider the new state of the east coast gas market following this reform.

Section 3.2.3 Market making

No.	Questions	Feedback
14	Do you think a market making regime could make the Wallumbilla GSH better suited to your gas trading needs? Is a market making regime necessary in order to develop liquidity at Wallumbilla GSH or is this better achieved through other means?	

No.	Questions	Feedback
15	What form of market making regime do you think would be most appropriate for achieving the objectives in Chapter 2.4? (a) What parties would be most appropriate to be market makers (and in what markets e.g. physical, financial)? Should this be voluntary or mandatory in terms of participation? (b) How do Energy Ministers ensure that there is minimal adverse impact to participants selected as market makers in such a regime? Are there elements of the design of market making regime that could assist in minimising the implementation cost? (c) What role (if any) could energy market bodies and/or governments play in facilitating a regime at Wallumbilla GSH?	
16	Does a market maker within the ASX physical futures product sufficiently reduce the need for an alternative market making regime for Wallumbilla?	
17	In terms of an implementation roadmap, what additional work is required to consider the merits of market making regimes and to assess the cost and benefits of different designs?	

Section 3.2.4 Virtual hub design

No.	Questions	Feedback
18	What benefits do you think a virtual hub for Wallumbilla GSH could introduce and why? Do you think it could make it easier for your business to trade gas?	APGA expects that a virtual hub model for the Wallumbilla Gas Supply Hub could only introduce extremely limited benefits, especially relative to the complexity of virtual hub implementation. The majority of available market participation and liquidity which could be garnered through Wallumbilla Gas Supply Hub reforms is expected to be garnered from the Anonymised Delivery and Streamlining Prudential Requirements initiatives, leaving only a marginal slither of potential positive gain available for this initiative. Transitioning either the Wallumbilla Gas Supply Hub or entire Roma to Brisbane Pipeline (RBP) system to a virtual hub model will be a costly and complex exercise, requiring interference with dozens of customer contracts and likely a transition to a much stronger form of regulation. This should not be considered lightly. This proposed reform should be considered in light of extensive market research to understand the true tangible benefits to the Wallumbilla Gas Supply Hub relative to the state of the gas market at the specific point in time at which implementation is considered, rather than the theoretical benefit of an undefined and not necessarily achievable increase in facilitated market liquidity. These expectedly minimal benefits also need to be considered in line with the detrimental impacts to gas infrastructure investment. Both the interference with customer contracts and the implementation of much stronger forms of regulation serve to undermine gas infrastructure investor confidence across the entire east coast gas market. More localised impediments to gas infrastructure investment are anticipated to slow down infrastructure upgrades, including upgrades to increase capacity or enable renewable gas uptake in the region. APGA proposes that this initiative be carefully considered in light of all Energy Minister objectives, both within this Consultation and in general, and relative to the east coast gas market of the day at the point in time when such reforms are considered to be implemented.
19	Do you have views on the design details that would need to be considered in designing a virtual hub, for instance which form of carriage model or balancing regime would be most appropriate?	

No.	Questions	Feedback
20	What level of regulation should be imposed upon the hub operator? And what activities should be regulated as part of this? Should consideration be given to an independent hub operator?	APGA proposes that no changes to the level of regulation should be pursued through the proposed roadmap. In the event that changes to the level of regulation are pursued, the use of stop-gate analysis throughout the roadmap prior to implementation of any such reforms would help to ensure an evidence-based problem statement exists, a quantifiable improvement from reform is understood, and the costs and risks of reform don't outweigh the benefits. The proposed common carriage virtual hub model for the Wallumbilla Hub or entire RBP risks negatively impacting the gas infrastructure investment environment which the NGIP seeks to bolster. In the context of the Victorian Transmission System (VTS), more intrusive forms of regulation are seen to impede investment in gas infrastructure and disincentivises innovative gas infrastructure investment. As we have seen, this results in VTS gas infrastructure investment not necessarily occurring in a timely or efficient fashion.
21	Regarding the idea of expanding a virtual hub to encompass the SEQ trading location and the Brisbane STTM: (a) What additional benefit would this provide your business, and the gas market generally, compared to a virtual hub covering Wallumbilla alone? (b) What are the major risks associated with this proposal, particularly considering management of existing contracts and congestion? (c) Would a liquid trading hub be an adequate replacement for the mandatory Brisbane STTM?	This proposal demonstrates apparent willingness to interfere with customer contracts and apply much stronger forms of regulation upon gas infrastructure. Doing so must consider the scale of benefit not only relative to the cost and complexity of implementation, but relative to the negative impact on infrastructure investment. Demonstrating that governments are willing to materially alter customer contracts and regulatory models undermines financial investment decisions for the exact same new gas infrastructure targeted through the NGIP, while slowing investment in the covered existing infrastructure. This last point in particular risks slowing the uptake of renewable gases as investment in gas infrastructure modification will be required to enable this new renewable energy industry.
22	In terms of an implementation roadmap, are there other considerations which should be considered for future consultation and assessment, if this option was to be investigated further?	APGA maintains that this reform should not be considered as part of the roadmap. If it were to be included in the roadmap, it should be considered the absolutely last resort option due to the high cost and complexity required to achieve minimal uplift in market liquidity. The position of this reform in the roadmap must be preceded with in depth market analysis to ensure that the scale of potential liquidity uplift is understood and compared to the cost and complexity of implementation and subsequent negative impact of gas infrastructure investment market.

Section 3.2.5 Other options considered

No.	Questions	Feedback
23	Do you agree with the initial analysis of these other options? Do you think there is merit in exploring these options further in order to assess whether they could contribute to meeting the objectives outlined in Chapter 2.4?	
24	Are there additional options which should be considered by Energy Ministers in more detail?	

Chapter 4: Consultation focus 2: Pipeline capacity trading frameworks

Section 4.1 What are the potential problems?

No.	Questions	Feedback
25	Do you agree with the problems that have been identified with pipeline capacity trading frameworks and what effect do you think they could have on future liquidity growth in the east coast gas market?	Before considering the relative merits of the problems proposed in Section 4.1 of the Consultation paper, it is worth considering reasonable expectations of the market impacts following DAA and CTP implementation. As detailed in Section 3.3.1 of APGA's submission cover letter, it is only reasonable to consider the flow on effect of the DAA to shipper contracting habits would begin to arise across the coming years as recontracting starts to take the DAA into account. DAA influenced reductions in firm haulage contracting is the most likely factor to influence demand side liquidity in the CTP as shippers who have contracted less firm haulage seek opportunistic short-term haulage via the CTP. The implementation of further reforms before the impacts of initial reforms are fully understood should be carefully considered in line with Energy Ministers objectives. It may lead to unnecessary reform, or at worst, unintended consequences. One key unintended consequence is the consequence of demonstrating market instability just as potential participants are considering market engagement. Noting the above expectations around firm contracting, changes now could impede the very market engagement which reforms seek to generate. APGA proposes that the impacts of existing reforms be allowed to surface across coming years, at which point market analysis should take place to determine whether additional market intervention is required and whether the

No.	Questions	Feedback
		interventions proposed in this Consultation Paper are appropriate relative to the state of the market at the time. Beyond the impacts of previous reforms still unfolding, APGA notes that the *lack of incentives to trade capacity on the CTP* problem again refers to customer business practices in the best interests of their shareholders as problems, demonstrating disregard for what is best for gas customers. Additionally, aspects covered under the *market power of pipeline operators for short-term capacity* problem demonstrates that this Consultation does not consider existing regulatory reform packages designed to address these exact concerns for which legislation is already drafted and awaiting enactment. The proposal to further address this issue above and beyond existing reform processes without consideration of how existing processes will change the market is concerning and represents a key example of why stop-gate analysis needs to take place before implementing further reform.
26	Are there any other problems that you think should be considered? If so, please set out what they are, what effect they may be having on pipeline capacity liquidity, and how these problems could be addressed.	
27	Do you agree that these identified problems are relevant to meeting the objectives in Chapter 2.4? If not, please explain why.	No. Please refer to the answer to Question 25 above.

Section 4.2 How could these problems be addressed?

Section 4.2.1 Reviewing fee structures and levels

No.	Questions	Feedback
28	Do the fees charged by AEMO for participation in pipeline capacity trading act as a barrier to further growth in usage? How could this be alleviated?	The assertion that the CTP fee structure is what impedes small customers from engaging with the CTP fails to recognise the economic reality of small gas customers. As APGA identifies in Section 2.3 of its submission cover letter, it makes little economic sense for most small gas customers to engage in facilitated markets such as the CTP and DAA.

No.	Questions	Feedback
29	To what extent should pipeline operator fees be reformed in order to increase the efficiency of the market, noting the options outlined above? (a) Do you agree with the AER's initial findings that the fee structures imposed by pipeline operators did not represent a substantial barrier to trading? (b) Would an increased level of regulation on pipeline operator fees be warranted in order to better improve market outcomes? Are there any risks which could arise from this approach?	APGA are open to rationalisation of costs so long as service providers retain the right to recover costs imposed on their businesses through regulatory reform across a reasonable period of time. With this right comes the context that different businesses implement regulatory change from different bases of capability and in different ways. Service providers also have different customer bases from which to recover their costs. A one size fits all model will need to be carefully developed in order to both rationalise cost recovery for customers and ensure that service providers are able to recover costs across a reasonable period.
30	In terms of an implementation roadmap, what importance would you place on addressing this issue and how quickly do you think it needs to be addressed?	

Section 4.2.2 Reviewing bidirectional pipelines restrictions

No.	Questions	Feedback
31	Are there specific pipelines for which access to backhaul capacity is an issue for participants? (a) Would an interruptible backhaul auction product on bidirectional pipelines such as the one described above be feasible? If not, please explain why. (b) Is there a need to strengthen the conditions by which a pipeline can be made bidirectional? What risks could eventuate through a higher barrier to reclassification of pipelines?	This initiative boils down to the introduction of uncontracted capacity into the DAA regardless of whether contracted but unnominated capacity is available or not. This signals a significant departure away from the initial intent of CTP and DAA market introduction, which was to disincentivise capacity hoarding by shippers. Where firm haulage is available in both directions on a pipeline, backhaul and contracted but unnominated capacity refer to similar services with an important difference. The primary difference is that the backhaul service does not necessarily represent firm contracted capacity and can even represent capacity which does not physically exist in a firm manner. Where there is more backhaul available than contracted capacity, the backhaul capacity which is above the contracted capacity represents a combination of uncontracted capacity and capacity which does not exist in a firm manner. The CTP and DAA was not developed with the purpose of selling uncontracted capacity or capacity which does not exist in a firm manner to shippers. To do so simply seeks to transfer value from pipeline investors to customers by facilitating additional free capacity entering the market. This represents a significant departure from the intent of the auction and should be considered carefully alongside Energy Ministers objectives in the NGIP. While the original purpose of the CTP and DAA did transfer value from pipeline investors to customers, it was done so for the purpose of increasing firm haulage market efficiency. Seeking to draw uncontracted or non-firm services into the DAA no longer serves this firm haulage market efficiency purpose, only serving the purpose of transferring value from pipeline investors to customers. This demonstrates an apparent willingness to transfer value from investors to customers without the need to serve a purpose relative to market efficiency or failure. The impact of such reforms not only needs to be considered alongside the original objectives of CTP and DAA market implementation, but alongside broader Energy Minister objectives as found in the NGIP. Demonstrating that infrastructure investor value is not secure within the east coast gas market undermines investor certainty in opposition to the intent of the NGIP.

No.	Questions	Feedback
32	In terms of an implementation roadmap, is there a preferred approach or other considerations which should be considered for future consultation and assessment, if this option was to be investigated further?	

Section 4.2.3 Alleviating issues around auction timing

No.	Questions	Feedback
33	Would shifting forward the nomination cut-off time within the gas day present any difficulties? How might this impact the certainty for gas users to nominate for the next day? (a) Would the benefit in shifting forward the nomination cut-off time, and consequently the DAA, be sufficiently material to justify change?	APGA questions whether this initiative delivers any real value, or has seen significant enough customer interest to warrant the cost and complexity of this change for service providers. Altering auction timing by 1 hour is unlikely to result in any impact beyond increasing system costs through the requirement to modify existing systems and processes. What this will achieve however is additional cost and complexity for service providers. Additional pressure will also be added to service providers who already undertake complex operational assurance activities within the already tight timeframes. Making these timeframes tighter also risks an increase in service provider error in setting AQLs – a task which is difficult enough to do accurately within current required timeframes.
34	Are there thoughts on the usefulness of an automated nomination process for auctioned capacity in order to alleviate timing concerns from smaller participants? How might this be best implemented?	
35	In terms of an implementation roadmap, what importance would you place on addressing this issue and how quickly do you think it needs to be addressed?	

Section 4.2.4 Reviewing firmness of auction product

No.	Questions	Feedback
36	Should the firmness of the auction product as initially recommended by the GMRG be revisited, given the outcomes of the auction and use of the CTP? (a) What risks could shifting to a hybrid auction introduce (e.g. impact on investment signals)? What measures could be put in place to limit any impacts?	APGA is very concerned that including firm DAA products undermines customer contracts which will negatively impact market certainty for customers and infrastructure investors, posing a risk to pipeline investment over the long-term. Therefore, APGA strongly believes that system security cannot be put second to increased liquidity in energy or capacity markets. The DAA and CTP reforms to date have appropriately increased liquidity and the mechanisms should only be reassessed when there is more information on how shippers contract in response to the mechanisms. APGA notes that this concept displays an apparent willingness to impact customer contracts which in and of itself negatively impacts market certainty for customers and infrastructure investors alike.
37	In terms of an implementation roadmap, what additional work is required to consider the merits of reviewing the firmness of auction products?	Given the complexity of the matter, the potential risks to the incentives for infrastructure investment, and the current lack of clarity of issues that need to be addressed, we consider that this matter be considered when there is clarity on how shippers contract to take account of the DAA, and what this means for the CTP and the ability for pipeline owners to obtain long term GTAs underpinning the necessary investment. We expect that this clarity will occur over the next 2-3 years.

Section 4.2.5 improving the usefulness of the Capacity Trading Platform

No.	Questions	Feedback
38	Could the usefulness of the CTP be improved through a simplified product offering or coordinated trading mechanism for secondary capacity? How could simplification best be achieved?	APGA does not consider that the CTP be improved through a simplified product offering or coordinated trading mechanism for secondary capacity. As noted in the consultation paper, shippers are typically able to win significant auction capacity on the DAA at low prices and there is less of an incentive to seek capacity on the CTP. Even with a simplified product offering this is likely to remain the case while the DAA is in place and while there is excess contracted but unnominated capacity available. This is not unsurprising given that the GMRG's market design provides opportunity for shippers to acquire capacity on the DAA at no or very little cost when there is excess contracted but unnominated capacity. The extent of the problem suggested in the consultation paper around pipelines having short term market power is far from clear, noting that the ACCC comparisons to pricing of services is based on very different international markets. There are appropriate commercial incentives for pipeline operators to sell spare capacity and that stipulating an obligation on them to offer a specified proportion of (or all) uncontracted capacity on the CTP is unnecessary. In any case, the soon to be implemented Pipeline RIS reforms for improving gas pipeline regulation[1] provide~~s~~ an appropriate regulatory mechanism to deal with any concerns around pipeline market power and the services provided and fees charged for them by service providers. Under the RIS reforms anyone can initiate a scheme pipeline determination process and seek to apply full regulation to a non-scheme pipeline that it believes is exercising market power—including if this was in relation to short term services. If the AER deems that the regulation test is met then the short-term services ~~will~~ are able to become a regulated reference service.

[1] Energy Senior Officials release gas pipeline draft legal package for consultation, Federal Department of Industry, Science, Energy and Resources 2021 https://www.energy.gov.au/government-priorities/energy-ministers/energy-ministers-publications/energy-senior-officials-release-gas-pipeline-draft-legal-package-consultation

No.	Questions	Feedback
39	Would increasing access to primary capacity products on pipelines through the CTP result in a more efficient gas market, and improve flexibility for shippers and buyers? Is this an attractive alternative to bilateral contracting for short-term primary capacity? (a) What products could be made available? Is the CTP the most appropriate platform to make these products available? If not, please explain why. (b) How could pricing for these products be set? How could any incentives for economic withholding be addressed?	APGA considers that any option to enable pipeline service providers to trade uncontracted capacity in the CTP should be optional as to avoid distorting market signals for firm contracting of excess capacity Optionality is critical to preserve incentives for contracting of long term firm services, otherwise pipeline owners will not invest in new infrastructure, which will restrict development new gas supplies and negatively impact development of the east coast market over the long term. It is too early to know what the impact of the DAA and CTP mechanisms will have on long term contracts, but as noted in the consultation paper, there is an expectation that shippers will reduce the level of potential contracted but un-nominated capacity that ends up in the DAA. Where possible, the gas transportation market should be subject to competitive market forces. This means that trade of uncontracted capacity on the CTP should be optional as to avoid distorting market signals for firm contracting of excess capacity. Also, pipeline service providers should have the choice of which services they provide and the prices and periods for which they provide them APGA is open to ongoing discussion to further explore possible variations of this initiative.
40	In terms of an implementation roadmap, what additional work is required to consider the merits of trading primary capacity products on the CTP?	APGA maintains that the market impacts of DAA introduction are only expected to be seen across the coming years. As such, APGA recommends allowing time for these changes to unfold across the coming 2 – 3 years, at which point the CTP and DAA markets should be reviewed again to determine the state of the market at this time. This initiative should then only be implemented if the market of the day displays a tangible basis for market participation to be improved through implementation of this initiative.

Section 4.2.6 Other options considered

No.	Questions	Feedback
41	Do you see potential benefit in any of these other options which would help to achieve the objectives outlined in Chapter 2.4 and may warrant further exploration?	The proposed initiative of introducing dynamic backhaul calculations fails to recognise the operational complexity of determining viable backhaul quantities. Service providers must be able to perform operational assurance checks on backhaul quantities being entered into the DAA else unintended operational consequences may arise. This reality becomes more concerning considering these operational consequences may also impede firm haulage required to ensure energy security. Additional changes to the CTP and DAA will also increase complexity and result in additional service provider expense to enact, especially considering the potential for tighter timeframes as detailed in Question 40. Considering the concerns raised in response to Question 29 above, service providers must still be able to recover these costs in a reasonably timely fashion.
42	Are there additional options which have not been explored or identified here and should be considered by Energy Ministers in more detail?	

Chapter 5: Other enabling framework reform options

Section 5.1 Third-party access to gas infrastructure

No.	Questions	Feedback
43	Do you think there is currently an issue with third-party access to gas facilities other than pipelines? Would a regulatory access regime for these facilities lead to better outcomes for the gas market and support achievement of the Energy Ministers' vision? (a) What types of facilities should be the focus of a third-party access regime (if any)? To what extent are the issues associated with these facilities similar to or different from the issues considered in the Pipeline RIS?	APGA considers that any issues being experienced by market participants with respect to non-gas pipeline infrastructure appear consistent with a workably competitive market standard adopted by regulatory bodies and policy makers in Australia and therefore are unlikely to warrant introduction of some form of access regulation. Access regulation should only be applied where it is demonstrated that benefits clearly outweigh the costs. APGA considers that the Government's focus should be on facilitating increased infrastructure investment including in a diverse range of new infrastructure as identified in the 2021 National Gas Infrastructure Plan (NGIP). If the Government decides to continue with a process to explore the possible introduction of some form of access regulation of non-gas pipeline facilities, then APGA considers that a properly constituted inquiry should be undertaken by the Productivity Commission which has a strong track record in undertaking expert and balanced inquiries of economic regulatory questions in Australia's East Coast gas markets.
44	Are there alternatives to implementing a third-party access regime for this kind of infrastructure, such as an independent body like AEMO or governments owning and/or operating infrastructure such as storage or compression?	APGA does not see a need for regulated third party access and further do not support government ownership of non-pipeline services such as storage or compression services. There are already a range of private sector developers of non-gas pipeline infrastructure facilities. Government ownership of such services risks suppressing private sector interest in developing investment options due to perceptions of government entities uncommercial behavior, such as creating excess capacity (through prematurely committing to investments or oversizing of capacity) or seeking below market rates of return and pricing. This risk is likely to reduce incentives for competition, efficiency and innovation.
45	In terms of an implementation roadmap, what additional work is required to consider whether access regulation should be extended to other forms of gas infrastructure? What risks exist with regards to the introduction of any regulatory regime?	

Section 5.2 Improving contracting practices to support greater on-screen trading and liquidity

No	Questions	Feedback
46	What do you consider to be the main benefits of off-screen bilateral contracting arrangements (for example, under an MSA) as compared with on-screen trading through the Wallumbilla GSH? (a) Are there any contracting practices associated with the Wallumbilla GSH that you consider currently act as a disincentive to on-screen trading? (b) What further procedural, regulatory or contractual changes would encourage increased on-screen trading through Wallumbilla GSH and would support your gas portfolio needs?	APGA notes that this concept displays an apparent willingness to impact customer contracts which in and of itself negatively impacts market certainty for customers and infrastructure investors alike.
47	How important is it to you to ensure confidentiality of commercial terms like price and volume when trading? To what extent would the option to anonymise delivery of gas at Wallumbilla GSH (outlined above) address confidentiality concerns?	
48	Are there are regulatory or other barriers preventing the entry into the market, or effective operation, of brokerage service providers?	

Section 5.3 Potential government support for infrastructure

No	Questions	Feedback
49	Do you think that government support for infrastructure would be an appropriate means of helping achieve the objective of more liquid trading in capacity/gas? (a) Is there a risk that government support could crowd-out and displace private investment? (b) Is there a role for the market bodies or government as independent owners or operators of infrastructure, including as an independent operator of the Wallumbilla GSH?	The Government's focus should be on facilitating increased infrastructure investment including in a diverse range of new infrastructure as identified in the 2021 National Gas Infrastructure Plan (NGIP). Two examples of this would be the enablement of coal off gas redirection to the east coast gas market, and augmentation of existing infrastructure to enable transport of renewable gases. In circumstances where non-market ends are targeted, government investment support can be designed in such a way that market distortion is avoided. APGA proposes that circumstances which fit this description be considered as initiatives across the coming years.

Section 5.4 Access to regional pipelines

No.	Questions	Feedback
50	Do you see regional pipeline access as an issue that requires addressing as part of achieving the Energy Ministers' objectives? (a) Does the ACCC's proposed capacity surrender mechanism represent an appropriate means of addressing regional pipeline access issues? (b) Do you have comments on the other potential options which have been explored above? If so, please explain.	Changes must be targeted only at a pipeline where a specific problem is identified. While the consultation paper and the ACCC refer to 'regional pipelines' as smaller transmission pipelines and laterals of major pipelines, this still represents an extremely broad set of assets – the existence on which the 'capacity hoarding' problem is far from clear. The initiatives suggested in the consultation paper (e.g. extending the DAA to smaller pipelines, or the requirement that all pipelines be required to have allocation arrangements in place) should not apply to single user pipelines (or to pipelines that do not currently provide third party access) until a second user has requested access. We note that the Pipeline RIS package contains similar mechanisms to exempt pipelines not providing third party access or which have a single user from information disclosure requirements. This will still allow such initiatives to work where multiple parties wish to access a pipeline, but will avoid imposing additional costs where there is no benefit
51	In terms of an implementation roadmap, what importance would you place on addressing this issue and how quickly it needs to be addressed?	