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Attention: Gas Taskforce Division

Department of Industry, Science, Energy and Resources

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Options to advance the east coast gas market

Senex Energy Limited (Senex) welcomes the opportunity to respond to the Wallumbilla Gas Supply Hub and pipeline capacity trading framework Consultation Paper published on 15 November 2021.

Senex supports the Federal Government's view that natural gas has a major role to play in Australia's economic recovery, and through the energy transition. We also note that this consultation, to inform the development of a roadmap for the Wallumbilla Gas Supply Hub and pipeline capacity trading framework by identifying a preferred suite of policy reforms and a plan for their further development, consultation and potential implementation, is part of a broader range of measures to achieve the Government's policy objectives of increased, reliable, and secure gas supply at competitive prices, and to support jobs. Senex is ready to work with the Government to help deliver these objectives for the benefit of all stakeholders.

The East Coast gas market has long been subject to claims of a lack of transparency that results in a power imbalance between suppliers and buyers, which in turn results in gas prices being "unreasonably high". Whilst Senex considers that price fluctuations are a function of underlying market fundamentals, we do recognise that an open, transparent, liquid market is vital for market participants to transact, and know they are transacting, at a price which reflects market fundamentals and supports efficient market outcomes.

To this end, we consider that, with appropriate reforms, the Wallumbilla Gas Supply Hub can be transformed into world leading wholesale gas market which provides price transparency, liquidity, and forward prices at the intersection of major East Coast supply and transportation infrastructure.

Given the importance ascribed to this issue in ensuring an open, transparent, liquid market for the long term, Senex engaged PWC to work with Senex, over a number of months, in developing an informed model for what the hub could be, and how it can be achieved. The attached submission represents the culmination of this work.

The reform agenda outlined in this submission was developed having regards to the unique characteristics and history of the East Coast Market and Australian gas policy, as well as learning from equivalent such hubs around the world. The submission seeks to outline a vision of what the Hub could be, and how an efficient, well-functioning Hub could benefit market participants, industry and the broader economy.

Five key reforms have been identified as being necessary for the Wallumbilla Hub to support an open, transparent and liquid East Coast gas market.

- Development of standard industry wide over-the-counter (OTC) agreements
- Implementation of a futures market
- Improved prudential arrangements and reduced minimum contract size
- Implementation of a fully anonymised trading capability
- Improvement of the accuracy, reliability and timing of market data.

If implemented, these reforms could drive positive market outcomes across the East Coast markets, including:

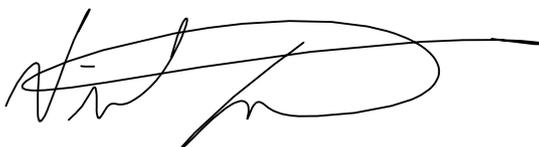
- Increased market efficiency
- Greater ability for firms to manage risk
- Lower barriers to entry
- More efficient investment signals
- Lower transaction costs.

Senex fundamentally supports the development of an open, transparent, liquid market hub at Wallumbilla, albeit that we recognise that it will take time and commitment for it to truly meet the government's ambition. We remain however prepared to engage as required to support the government in this endeavour

With respect to Part 5 of the Consultation Paper on *Other enabling framework reform options* there has been limited time to fully assess the merits of such reform options. However, Senex generally supports the position that, where the absence of 'open access' to facilities is acting to limit competition in upstream and downstream markets, market design enhancements to facilitate such access should be actively considered to improve the efficiency and effectiveness of the market.

Please contact the undersigned on 0418 994 684 or at neil.sutherland@senexenergy.com.au should you wish to discuss any aspect of this submission further.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Neil Sutherland', with a long horizontal flourish extending to the right.

Neil Sutherland
Executive General Manager – Corporate Affairs and Sustainability
Senex Energy Limited