



# APA submission

## Amending the AER Wholesale Market Monitoring and Reporting Framework: Consultation Paper

*August 2022*



Energy Ministers Secretariat  
Department of Climate Change, Energy, the Environment and Water  
GPO Box 858  
CANBERRA ACT 2601

**Lodged via email: [energyministers@industry.gov.au](mailto:energyministers@industry.gov.au)**

25 August 2022

**RE: APA Submission to the Wholesale Market Monitoring Consultation Paper**

Dear Secretariat,

Thank you for the opportunity to comment on the Consultation Paper seeking feedback on possible reforms to the existing wholesale market monitoring (WMM) and reporting functions of the Australian Energy Regulator (AER) (Consultation Paper). We appreciate the opportunity to comment on these important issues.

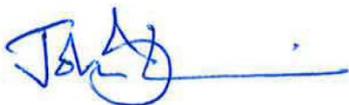
APA is an ASX listed owner, operator, and developer of energy infrastructure assets across Australia. Through a diverse portfolio of assets, we provide energy to customers in every state and territory on mainland Australia. As well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission networks, and over \$750 million in renewable generation.

The Consultation Paper seeks feedback on several proposals which expand the scope of the Australian Energy Regulator's (AER) information gathering powers in relation to electricity and gas contract markets. Through the ACCC's ongoing Gas Inquiry 2017-25, APA has significant, first-hand experience providing contractual information to the ACCC.

Since the Gas Inquiry started in 2017, APA has spent over \$4 million responding to ACCC requests for information. It is likely that extending the power of the AER in the way proposed will impose tens of millions of dollars of additional costs on the industry, costs that will ultimately be borne by customers. The recent energy crisis has demonstrated the importance of ensuring that the benefit of any information sought by the AER outweighs the significant cost of providing it.

If you wish to discuss our submission in further detail, please me on 02 9693 0009 or [john.skinner2@apa.com.au](mailto:john.skinner2@apa.com.au).

Regards,



**John Skinner**  
**Manager Policy**  
**Economic Regulation & Policy**

# 1 Submission

## Key points

- Since the Gas Inquiry 2017-25 started in 2017, APA has spent over \$4 million responding to ACCC requests for information.
- Extending the power of the AER in the way proposed is likely to impose tens of millions of dollars of additional costs on the industry.
- It is essential that service providers are only required to provide information once, as any duplication will unnecessarily increase costs for customers.

## 1.1 Introduction

APA is a leading Australian Securities Exchange (ASX) listed energy infrastructure business. Consistent with our purpose to strengthen communities through responsible energy, our diverse portfolio of energy infrastructure delivers energy to customers in every state and territory on mainland Australia.

Our 15,000 kilometres of natural gas pipelines connect sources of supply and markets across mainland Australia and our high voltage electricity transmission assets connect Victoria with South Australia and New South Wales with Queensland.

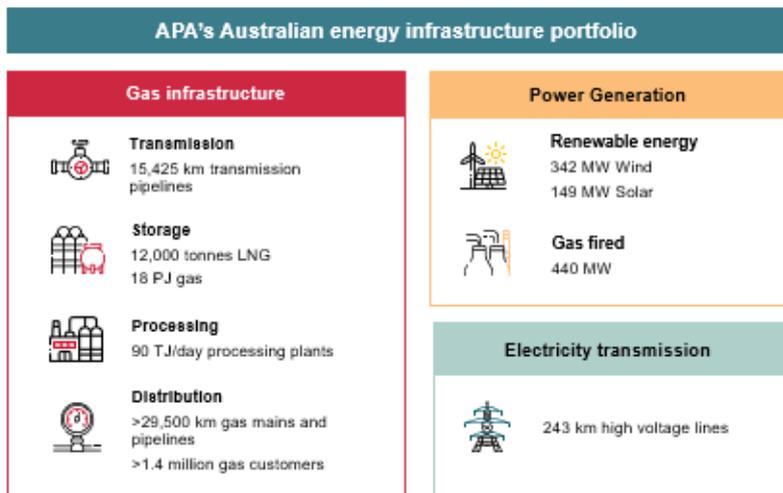
We operate and maintain gas networks connecting 1.4 million

Australian homes and businesses to the benefits of natural gas. And we own or have interests in gas storage facilities and renewable and gas-fired power stations.

APA is supporting the transition to a lower carbon future. In August 2022 we announced a target of reducing operational emissions in APA's gas infrastructure portfolio by 30 percent by 2030 with a goal for net zero by 2050.

APA supports the purpose of the consultation process, which is to ensure effective operation of the energy markets and ongoing access to reliable and affordable energy. However, we are concerned that the expanded information gathering powers will impose additional regulation and cost, while not improving the operation of energy markets.

As outlined in our submission below, providing information to the ACCC through the ongoing Gas Inquiry has imposed a significant cost burden on APA, and will continue to do so for the remainder of the Inquiry. Given the broad expansion of AER information gathering powers



being proposed, this cost burden is likely to be replicated across the electricity and gas industries, resulting in tens of millions of dollars of additional costs being passed on to customers. It is therefore very important that the benefits associated with providing additional information to the AER outweigh the cost of providing it.

## 1.2 Providing insight into future events

One of the rationale for the expansion of the AER's information gathering powers is that the AER will be able to proactively anticipate issues before they arise.<sup>1</sup> As we have seen in recent months, energy markets are very complex, with many factors impacting wholesale markets. Similar to the markets for other goods, energy markets have been impacted by a wide range of events over recent months, including:

- Unseasonally wet weather, leading to reduced output from coal, solar and hydro generation
- Unplanned outages at aging coal generators
- The Russian invasion of Ukraine in early 2022

It is clearly impossible to foresee the wide range of factors that can impact energy markets and therefore it is not clear that access to significant volume of additional information will provide additional benefits in terms of monitoring wholesale markets. This is due not only to the many factors that influence energy markets, but due to the significant volume of information that may be provided to the AER under the new powers. It will be a monumental task to predict wholesale market issues in the way foreshadowed in the Consultation Paper.

This risk is exacerbated by the fact that organisations will have different drivers for entering into commercial arrangements. The AER may inadvertently draw incorrect conclusions from data and provide advice to government that doesn't accurately tell the story about what is happening in energy markets. It is important that market participants have the opportunity to comment on any conclusions and recommendations that the AER provides to governments based on information provided under the proposed WMM powers.

## 1.3 The additional costs need to be considered

APA has been providing the ACCC with significant volumes of contractual information since 2015:

- The ACCC issued notices to obtain information and documents as part of the East Coast Gas Inquiry in 2015 and 2016.<sup>2</sup> APA spent approximately \$1.3 million responding to the East Coast Gas Inquiry.
- Following the East Coast Gas Inquiry, the Commonwealth Government directed the ACCC to conduct a further inquiry into the supply of and demand for natural gas in Australia. This inquiry is referred to as the Gas Inquiry 2017-25. The ACCC has issued

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<sup>1</sup> Energy Ministers Consultation Paper, August 2022, p3

<sup>2</sup> ACCC, *Inquiry into the east coast gas market*, April 2016, p23

APA with two or three formal requests for information each year as part of the inquiry. Ongoing data production, validation and legal review costs are necessary in response to each notice. APA has spent in excess of \$4 million responding to these requests since the gas inquiry started in 2017. These costs comprise mainly of APA staff costs, as well as external legal support.

At current rates, assuming no major changes in the scope or frequency of information requests, APA expects to spend over \$6 million over the term of the inquiry (2017-25) responding to ACCC information requests.

The key drivers of costs related to these notices are:

- explaining and responding to follow-up queries, including validation of data presented in prior to publication and confidentiality checks; and
- summarising the information being provided into 'one size fits all' data tables which accompany the contractual information.

This additional effort is very likely to be necessary given the wide type of information that might be sought by the AER under the expanded information gathering powers, which could encompass:

- contracts or arrangements
- derivatives
- futures contracts, swaps and options, and
- electricity generator insurance relating to weather and outages.<sup>3</sup>

The fact that APA alone has spent \$4 million over five and a half years of the Gas Inquiry 2017-25 demonstrates that extending the power of the AER in the way proposed could impose tens of millions of dollars of additional costs on the industry, costs that will ultimately be borne by customers. The recent energy crisis has demonstrated the importance of ensuring that the benefit of any information sought by the AER outweighs the significant cost of providing it.

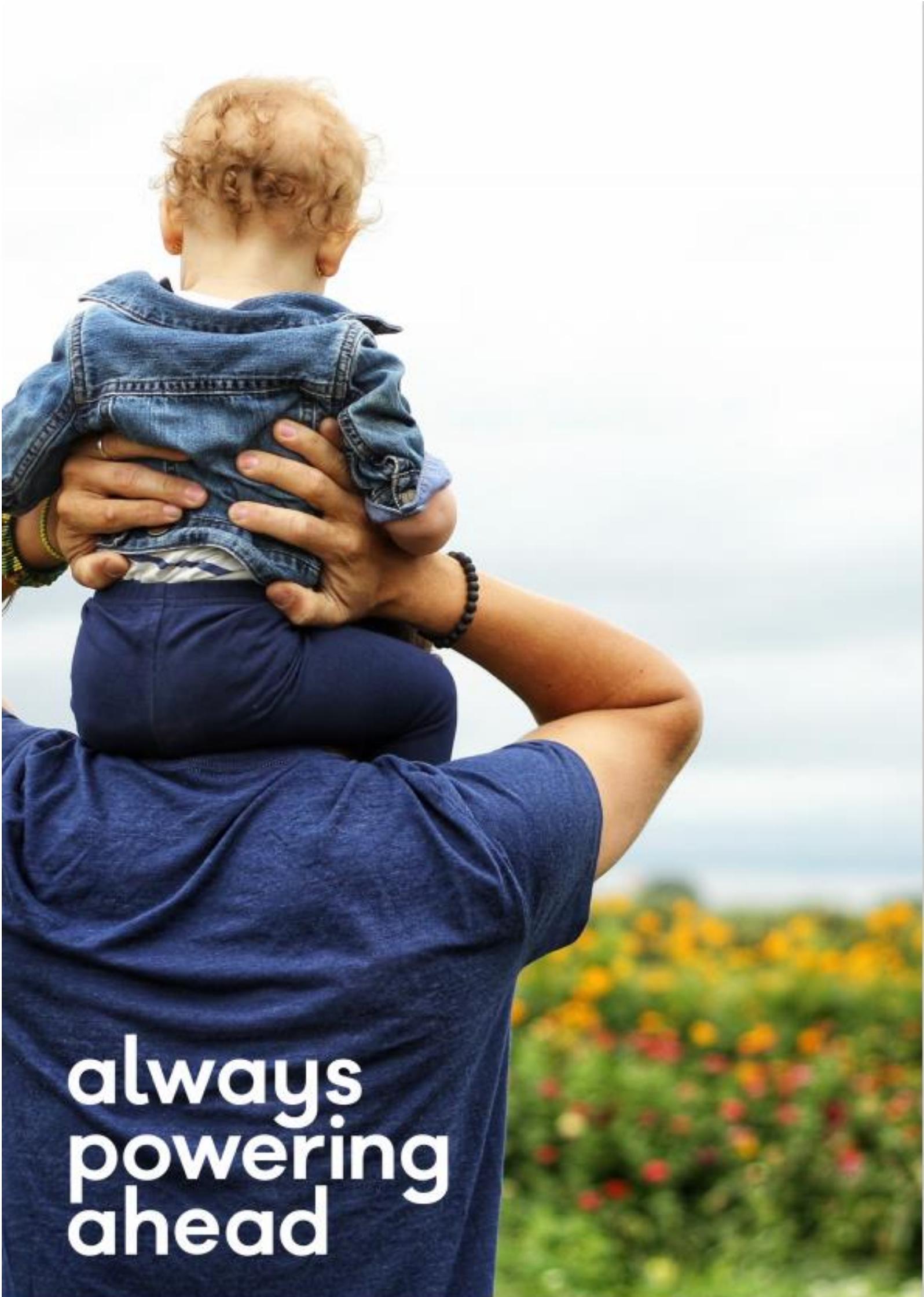
#### **1.4 Providing information more than once**

Market participants in both electricity and gas markets already provide regulators with significant amounts of information through various reporting obligations. Expanding the AER's powers in the way proposed increases the likelihood that the same or similar information will be provided more than once.

It is essential that service providers are only required to provide information once, as any duplication will unnecessarily increase costs for customers.

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<sup>3</sup> Energy Ministers Consultation Paper, August 2022, p14



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