

THE COUNCIL OF AUSTRALIAN GOVERNMENTS (COAG) ENERGY COUNCIL RELEASES A COMPREHENSIVE GAS MARKET REFORM PACKAGE

The Australian gas market is undergoing significant structural change. Australia is on the cusp of becoming the world's largest liquefied natural gas (LNG) exporter, having seen investment of more than \$200 billion in the past decade.

In response to this structural change, the Energy Council welcomed the release of the Australian Competition and Consumer Commission's (ACCC) [Inquiry into the East Coast Gas Market](#) and the Australian Energy Market Commission's (AEMC) [Eastern Australian Wholesale Gas Market and Pipelines Framework Review: Stage 2 final report](#).

Informed by the findings and recommendations of the two reports, the COAG Energy Council has agreed to launch its comprehensive [Gas Market Reform Package](#).

The reform package comprises four priority areas and 15 reform measures. The four priority areas are gas supply, market operation, gas transportation and market transparency. They recognise that enabling new gas supply and developing liquid trading markets requires the ability to readily move gas between trading locations through the trading of pipeline capacity rights. Liquidity in gas and transportation markets is dependent on market participants' decisions being based on relevant and readily available information.

The reform package delivers a range of measures including:

- a wholesale gas market that concentrates trading at two primary trading hubs, a northern hub and a southern hub, with improved and more unified market designs at each location
- a gas transportation capacity market to underpin the new wholesale market design
- broader and more accurate market related information for participants and the public, primarily through a redeveloped Natural Gas Services Bulletin Board
- examining whether a new test for determining whether a gas transportation pipeline should be subject to price regulation through a consultation process
- implementation of the Energy Council [Gas Supply Strategy](#).

The Energy Council notes that the Moomba Gas Supply Hub, which commenced on 1 June 2016, will offer additional flexibility as a critical transit point for gas flowing between the east coast markets and that development of the detailed arrangements of the Southern Hub are currently in the scope of additional work by the AEMC, as requested by the Victorian Government.

Further details of the Energy Council's response to the ACCC and AEMC's recommendations are set out in the attached table at [Appendix A](#).

Work commissioned by the AEMC estimates that its reforms will deliver a Gross Domestic Product benefit of up to \$3.3 billion by 2040 through enhanced efficiency in the way gas is traded.





The Energy Council has also committed to make implementing this package a major priority and has agreed to create a dedicated Gas Market Reform Group to lead the implementation effort.

The Energy Council is pleased to announce Dr Michael Vertigan AC as the independent Chair to lead the Gas Market Reform Group. Dr Vertigan's extensive experience in driving engagement with industry, consumer and market bodies, government representatives and the wider community will be vital to the success of the reform package. Dr Vertigan will be assisted by a set of technical working groups to develop the detailed designs for these reform measures. Further details on the design of these governance arrangements and an indicative implementation schedule can be found at [Appendix B](#).

The Energy Council is committed to this reform package to drive the achievement of its [Australian Gas Market Vision](#) for a liquid wholesale gas market where an efficient reference price provides signals for investment and new gas supply.

19 AUGUST 2016