

30 September 2019

COAG Energy Council
GPO Box 787
Canberra ACT 2601

Submitted online

Dear Sir/Madam,

Consultation on Regulatory Impact Statement – Measures to Improve Transparency in the Gas Market

Lochard Energy, owner/operator of the Iona Underground Gas Storage in Western Victoria, wishes to provide its views on the options to improve transparency in the eastern and northern Australia gas markets suggested in the COAG Energy Council Consultation Paper on Measures to Improve Transparency in the Gas Market. Lochard Energy thanks the Council for this opportunity.

Lochard Energy supports moves to increase transparency in the gas market and has willingly provided data to the ACCC's ongoing Gas Inquiry. Lochard accepts the general principal that publishing further information regarding our services may be helpful to the market, but provided it is done on an equitable basis, does not allow our customers or ourselves to be unfairly gamed and does not deter investment in critical new services. For example, as described in the attached submission, Lochard is of the view that it is reasonable to publish standing offers and uncontracted capacity for a three year period.

However, Lochard is generally concerned with the potential implications of the way in which the Inquiry has included storage in the monopoly infrastructure category, along with gas transmission, without explicit consideration of the storage sectors' features and role in the gas industry.

Storage is by no means monopoly infrastructure. In fact it is but one of a broader category of Swing Services – which support the market in managing variations in supply and demand arising from seasonal weather conditions, gas generation, gas production profiles etc. Swing Services are already available to the market from numerous sources which compete directly with one another. Existing providers of Swing Services include:

- Upstream Gas Supply, most notably from:
 - The Gippsland Basin JV (ExxonMobil / BHPB) which is the major source of peak gas supply for the domestic market, with installed capacity of ~1,000 TJ/d
 - Significant and increasing gas flows from the Queensland LNG export projects to the domestic markets
 - The Cooper Basin, BassGas and Otway Gas Projects which also provide swing volumes to the domestic markets

- Gas Storage from:
 - Reservoir storage facilities at Iona, Roma, Moomba and Silver Springs
 - LNG storage facilities at Dandenong and Newcastle which provide swing capacity to the domestic market on peak days
 - Linepack - there is significant existing and potential linepack on SEAGas, TGP, EGP etc which provide swing capacity on peak days

In addition to existing Swing Service facilities, there are a number of significant new projects at various stages of development:

- In February 2019, Origin Energy announced an agreement to purchase potential gas supply and storage services at Golden Beach in Victoria. There also exist other potential storage developments including at Beach Energy's Katnook fields in South Australia.
- There are at least four prospective LNG import terminals currently being developed. These facilities are a potential very material provider of Swing Services, as each facility would include a Floating Storage and Regas Unit which stores gas which can then be released into the market with great flexibility. To put this into perspective, Iona's current published withdrawal capacity is 480 TJ/day. Based on the published information from AGL on their Crib Point project, that facility alone could supply 550-750 TJ/day of swing capacity to the market, which is significantly greater than Iona's capacity.

The Swing Services market is already highly competitive. Adoption of any quasi-regulatory direction will be a significant deterrent to the development of new Swing Service facilities and also to any further brownfields development, including at Iona. The development of further Swing Services will be of great benefit to the industry.

Given that the ACCC's price monitoring is to be extended to December 2025 (refer to the 6 August 2019 joint media release by the Minister for Resources, the Hon Matt Canavan, the Treasurer, the Hon Josh Frydenberg MP and the Minister for Energy and Emissions Reduction, the Hon Angus Taylor MP), Lochard is of the view that there is no urgent imperative to make material changes to the treatment of storage and Swing Services more broadly which carry the risk of deterring critical investment.

Please find Lochard's views in the COAG Energy Council Stakeholder Feedback Template (Attachment B).

If you wish to discuss any aspect of this submission in further detail, please contact Ee Siew Ong, Commercial Analyst, at eesiew.ong@lochardenergy.com.au or on 03 8646 0507.

Yours Sincerely,



Anthony Fowler
Chief Executive Officer