EUAA
ENERGY USERS ASSOCIATION OF AUSTRALIA

Ms Carole Gardner
Productivity Commission
LB2 Collins Street
East Melbourne, Vic, 8003

July 4, 2013

Sent by Email: accessregime@pc.gov.au

EUAA Response to the Productivity Commission Review of National Access Regime

Dear Ms Gardner,

The Energy Users Association of Australia (EUAA) welcomes the heightened focus by regulators and policy makers on what we consider to be a major energy crisis emerging in our nation – gas supply and availability. Other reviews currently underway, such as those of the Department of Resources and Energy, AMEC, NSW Parliament and Victorian Government address while more closely aligned to the fundamental concerns of our members do not cover access regime arrangements. The review by the Productivity Commission (PC) of National Access Regime affords us an opportunity to highlight some of the factors that are contributing to a restriction or prevention of supply from occurring due to gas transmission limitations.

The EUAA represents some of Australia's largest consumers of gas and electricity. Members' views have been canvassed in the formulation of this submission. Members are keen to ensure that they can source reasonably priced gas from competitive gas markets, however current limitations within the National Access Regime covering pipeline transmission gives cause concern.

Our comments on the Productivity Commission's draft report are not focussed on the processes and legal wording within the draft, but more the practical problems and missing coverage within National Access Regime involving gas transmission from supply to market.

At a high level there are three main areas that are impacting on gas consumer's productivity and costs:

1) **Lack of Access coverage at Gas Transmission Nodal/Interconnection Points.**

Currently Gas Transmission nodal points are specifically not covered for third party coverage. This has created significant restriction to the transfer of gas between pipelines, in a number of cases resulting in lack of competition, gas availability, and resultant higher prices. Members have cited that this has meant projects being delayed or cancelled.

There have been several occasions where despite the goodwill from all parties (suppliers and users) to achieve positive outcomes the transactions have been unable to be completed due to an inability to access services at the nodal points. This has contributed to the lack of liquidity and information transparency in the gas transmission network. The lack of transparency is often cited as a direct hindrance to the development of a functioning gas market and consequently is in direct conflict with the objectives of the National Gas Laws (NGL).

2) Capacity Constraints and Delays to increasing Capacity.

Most pipelines are designed to carry gas volumes only covered by longer term contracts. This is understandable given the conservative nature of infrastructure companies within the broader market. However this results in lack of flexibility in being able to provide incremental gas as markets expand organically. Further, if pipelines do agree to expand, their processes and conditions on expansions are generally too slow to complete. This is not surprising if they are in a monopoly position and lack competitive tension.

3) Rules Governing Third Party Access.

We do not envisage that third party access principles solely will necessarily speed up the process of providing an expansion in transmission, if in fact pipelines are covered. As it stands full coverage for new pipelines has to be argued for by the consumers instead of being a default position. A potential solution is to ensure full coverage of all pipelines as the default position but still allowing the pipeliners and/or customers to argue non-coverage following default coverage.

A further course of action would be a requirement for pipeliners, under either the National Access Regime or National Gas Law (NGL), to have an excess threshold capacity thereby allowing a more efficient and flexible market response without waiting for pipeline expansion that could be susceptible to commercial and construction delays. The percentage of such a threshold could be in the order of 20% to ensure sufficient flexibility. The cost of any excess capacity could be covered by a more a more competitive, volumetric and robust Short Term Trading Market (STTM), and/or incrementally lifting the gas shippers tariffs. Further we would recommend any such incremental tariff increases be kept low by including the related capital costs in the initial pipeline construction costs.

The above areas of concern clearly impact on Australia’s productivity and relate to principles of the National Access Regime involving gas transmission. The EUAA would ask that the Productivity Commission look at the impact of these areas as part of the nation’s overall productive efficiency and consider amending the National Access Regime accordingly. We strongly urge the Productivity Commission to further explore some of the above suggestions and concerns directly with major energy users and the EUAA.

Sincerely,

Phil Barresi
Chief Executive Officer
EUAA