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Dr Michael Vertigan
Independent Chair
Gas Market Reform Group
Level 6, 201 Elizabeth Street
SYDNEY NSW 2001

Email: enquiries@gmrg.coagenergycouncil.gov.au

Dear Dr Vertigan *Mike*

Re: Day-Ahead Auction of Contracted but Un-Nominated Capacity & Reporting Framework

On 10 October 2017, the GMRG released the Day-Ahead Auction of Contracted but Un-Nominated Capacity & Reporting Framework consultation paper for public comment. The paper seeks comment on the products to be auctioned, the coverage of the auction, and reporting requirements for secondary trades. The ACCC welcomes the opportunity to comment on this paper.

The ACCC supports the proposed auction products of forward haul transportation services (with separate products offered in both directions on bi-directional pipelines), compressions services, and an interruptible backhaul service (on single direction pipelines) (Stakeholder feedback questions 1 and 2). The inclusion of an interruptible backhaul service was not proposed by the AEMC in its *East Coast Gas Market Review*. However, its inclusion could result in efficiency gains across the gas supply chain by improving the efficiency of allocation and use of capacity on single direction pipelines, as noted by the GMRG.

The GMRG proposes that the auction should apply to all transmission pipelines (excluding the Declared Transmission System) linking major demand centres and supply sources in the east coast and contractually congested pipelines in regional areas (Stakeholder feedback question 35). The ACCC supports this proposal. As the objectives of these reforms are to improve the efficiency of allocation and use of transportation capacity and to foster a more liquid market for secondary capacity, it is necessary that major pipelines are covered by the auction and those that are contractually congested.

The ACCC also supports the auction framework extending to major pipelines in the Northern Territory. The Northern Territory will soon be connected to the east coast gas market by the Northern Gas Pipeline linking Northern Territory gas supply with demand on the east coast. To ensure that this gas is able to flow to the east coast, the Northern Territory pipelines should be covered by the day-ahead auction.

The ACCC supports the scope of the proposed reporting framework for secondary trades because it will improve transparency and the relative bargaining positions of parties

(Stakeholder feedback question 50). As with the day-ahead auction, the ACCC supports the reporting framework extending to pipelines in the Northern Territory.

Please consider this letter a public submission. Should you wish to discuss further, please do not hesitate to contact Kathryn Wood on (02) 9230 3846.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Rod Sims', with a stylized flourish at the end.

Rod Sims
Chairman