

13 June 2017

Gas Market Reform Group
c/o Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Operation and Administration of the Capacity Trading Platform/s and Day-Ahead Auction

Dear Dr Vertigan,

Energy Consumers Australia welcomes the opportunity to respond to the Operation and Administration of the Capacity Trading Platforms/s and Day-ahead auction consultation paper (Consultation Paper).

A well-functioning, competitive wholesale gas market is essential for energy affordability and system security. Gas is not only an essential fuel for heating and feedstock for industrial processes, it is also as a fuel of choice for households and a key fuel for electricity generation.

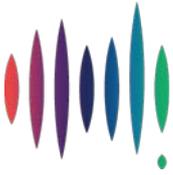
The impact of tightening supplies in the East Coast Market, and difficulties many users have had securing forward contracts on reasonable terms, is now beginning to flow through to retail electricity and gas prices, with households and small businesses bracing themselves for increases of 20 per cent (and potentially much higher) in the second half of 2017.¹

Ensuring that Australia's gas pipelines are facilitating a highly liquid, competitive trade in wholesale gas, that gas is flowing to where it is valued most, and that pipeline capacity is fully utilized, is fundamental to stabilizing the gas market and ensuring prices are as low as possible. We therefore strongly support the work the Gas Market Reform Group is doing to develop capacity trading and day-ahead auction reforms to make it much easier for gas users to get the pipeline capacity they need, at the right price.

We believe that there is a strong case, both on principled and practical grounds, for the Australian Energy Market Operator (AEMO) to operate both the Capacity Trading Platform and the Day-Ahead Auction. As the consultation paper sets out, AEMO has the expertise, as well as existing systems that can be adapted, to implement these reforms in a timely and efficient way. A single NEM-wide solution, with one interface and one set of protocols, will also reduce transactions costs for users, many of whom trade in different jurisdictions and will not want to engage with unnecessary complexity. Embedding these activities within AEMO will also give users confidence that the systems are being managed in an independent and neutral way.

We also see the consolidation of these market facilitation services and data flows within AEMO as consistent with the strengthened monitoring and coordination role it will play in the new market.

¹ See St Vincent de Paul Tariff Tracker Report for Victoria, January 2017 https://drive.google.com/file/d/0B_DuyG_B91AATTNoNGxLYTiiWDA/view. The Independent Competition and Regulatory Commission of the Australian Capital Territory announced on 7 June 2017 that electricity prices would increase by 18.95 per cent from 1 July 2017 <http://www.icrc.act.gov.au/wp-content/uploads/2017/03/Media-release-Retail-Electricity-final-report.pdf>



If there are issues around the data transfer between pipeline operators and an AEMO-operated day-ahead auction, we are confident that they can be resolved as part of the development of the new arrangements.

Please do not hesitate to contact Oliver Derum, Associate Director, Advocacy and Communications on oliver.derum@energyconsumersaustralia.com.au 02 9220 5514 if you would like to discuss this submission further.

Yours sincerely,

Signed for and on behalf of
Energy Consumers Australia