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To whom it may concern

**Operation and Administration of the Capacity Trading Platform(s) and Day-Ahead Auction Consultation Paper, May 2017**

Tas Gas Retail is a small shipper and natural gas retailer in Tasmania and a natural gas retailer for a number of disparate regional Victorian towns which are not directly connected to the Victorian transmission system. Due to our size and nature of our markets, our historical shipping transactions have been relatively straight forward and we have not encountered difficulty with regards to access to pipeline capacity. However, changing market dynamics such as the introduction of the Tasmanian Gas Pipeline's high priority storage service and limited options for gas supply will change/impact our demand for pipeline capacity and related services.

This submission is provided by Tas Gas Retail in response to the abovementioned consultation paper which proposes reforms that are expected to foster the development of a more liquid secondary capacity market by:

- using market based processes to allocate capacity on a non-discriminatory basis to those that value it most;
- reducing the search and transaction costs associated with secondary trades;
- reducing information asymmetries to aid the price discovery process and enable more informed decision making; and
- improving the incentive shippers have to trade capacity.

As we have limited trading experience, we will be guided by the preference of other shippers with regards to standard terms and conditions and the reporting frameworks related to capacity trades. Our comments are limited to our preference for the operator of the day-ahead auction and capacity trading platforms and a recommendation with regards to training resources.

We support a single capacity trading and day-ahead auction platform to be run by the Australian Energy Market Operator (AEMO). AEMO as the single operator is preferred as, anecdotally, it will minimise the administrative cost of interacting with both multiple pipeline operators and gas sources, particularly by leveraging off the existing Gas Supply Hub platform and governance framework.

In establishing the platform(s) it is important that they are not overly complex or cost prohibitive for small shippers. We are concerned that as the Australian natural gas market tightens and transactions become more complex, small shippers/retailers will find it increasingly difficult to participate. Many smaller shippers/retailers are serving small regional markets where consumers pay higher gas prices due to lack of economies of scale and or/scope. If the platform(s) are too complex it may result in market inefficiencies where participants engage in transactions outside of the platform (as is currently the case for many gas transactions). Increased cost burdens on small shippers which are not able to be adequately spread among small customer bases increases the risk of these shippers exiting the market. If smaller shippers exit the market it will decrease retail competition and leave smaller markets further exposed.

As a small regional shipper we have difficulty in finding/attracting skilled resources in gas trading and typically have key person dependency risks in this area. These challenges limit our ability to fully participate in the market and therefore drive up the costs of delivered gas to end consumers (for example, without gas trading options the purchase of gas is limited to expensive firm contracts). The increasing complexity of capacity trading and day-ahead auctions will make it more challenging for regional shippers to acquire knowledge and skill. We recommend that the reforms take into consideration the ongoing training and development needs of the sector, in particular proposing increased levels of gas/capacity trading training. Increased access to training would reduce barriers to entry and would be in keeping with the National Gas Objectives and the COAG Energy Council's Vision for the Australian Gas Market.

While we have concerns about the increasing complexity of the Australian natural gas market, we are supportive of these reforms and consider them necessary in order to facilitate a more liquid market that will ultimately benefit end consumers.

If you have any queries in relation to this submission, please contact me on 03 6336 9332.

Yours sincerely



Kate Daley

Manager