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Manager - Energy Market Reform Team
National Electricity Market Branch
Department of Industry, Tourism and Resources
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Dear Sir/Madam

OPTIONS FOR THE DEVELOPMENT OF THE AUSTRALIAN WHOLESALE GAS MARKET

Enertrade welcomes the opportunity to comment on the Allen Consulting Group (Allens) draft report, *Options for the Development of the Australian Wholesale Gas Market*, prepared for the Gas Market Development Working Group under the Ministerial Council on Energy Standing Committee of Officials. The Allens paper proposes a number of options that government might take in order to further develop the wholesale gas market in Australia.

Enertrade owns two transmission pipelines in Queensland – from Moranbah to Townsville and from Cheepie to Barcaldine. The Moranbah to Townsville gas pipeline supplies coal seam methane gas to Townsville and the surrounding region. This pipeline has provided north Queensland consumers with their first opportunity to adopt natural gas as an energy source. The pipeline has also facilitated further investment in the region, for example the conversion of the Townsville Power Station from highly expensive liquid fuel to cheaper and more environmentally friendly coal seam methane gas. The Cheepie to Barcaldine gas pipeline supplies gas to the Barcaldine Power Station.

The development of the market to date would suggest government intervention is not required to aid future development of the gas industry. The solutions proposed in the Allens report have been presented without any explanation of the need for intervention. Significantly, the Allens report does not present any evidence of market participants blocking the development of trading mechanisms to open up the market. On the contrary, market participants, and in particular pipelines, have historically undertaken significant initiatives to facilitate greater market trading.

Enertrade would question the need for governments to intervene in the market given the Australian gas industry is currently moving to improve customer service in a proactive manner. These improvements are being made possible by greater pipeline interconnection





and the emergence of competitive tensions, which are leading companies to improve the utilisation of existing pipelines, and to create new value added services (such as innovative services and tariff structures). The trend to improved services will meet the Ministerial Council on Energy's aims of delivering a transparent and vibrant gas market without the need for prescriptive, expensive and misplaced government intervention.

Among the options proposed in the Allens paper, Enertrade considers that only Option 1 – where Governments continue to leave development to the market participants - will ensure continued investment and improved customer service in the gas industry. Other industries such as the Australian water market demonstrate that markets are effective in developing efficient trading mechanisms where left to their own devices.

Enertrade considers that increased competition in the gas industry is best addressed by providing a regulatory climate that is conducive to new investment both in upstream production and gas transport infrastructure. Such an environment is characterised by continuing regulatory certainty with respect to industry rules for wholesale and transportation markets.

Yours sincerely

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