

2 July 2015

Jeremy Jose and Jeremy Llewellyn
Australian Competition and Consumer Commission
gas.inquiry@accc.gov.au

Dear Jeremy,

Thank you for the opportunity to provide comment on the Australian Competition and Consumer Commission (ACCC) East Coast Gas Inquiry.

Stanwell's interest in the gas market is as an industrial buyer/seller and trader of gas for the gas-fired Swanbank E and Mica Creek power stations. Swanbank E power station has a capacity of 385MW and is located 10km from Ipswich, QLD. Mica Creek power station is 302MW and is located near Mount Isa, QLD. Stanwell is an active participant in the Brisbane Short Term Trading Market (STTM) and Wallumbilla hub.

Stanwell has provided submissions to the current AEMC Gas Market and Pipeline Frameworks Review as well as to the Federal Government's Eastern Australia Gas Market study. We note the ACCC has access to these submissions. It is Stanwell's experience that the regulatory framework for pipelines does not provide the right incentives for the efficient allocation of capacity or enough flexibility to promote an active short term market.

Currently, regulatory access arrangements allow users to reserve sizable portions of capacity with little or no incentives to release it when not in use. The current process to on-sell capacity which involves the sale of part or all of a holding can be labour intensive and incur significant expense. This reduces the capacity which is might otherwise be available to smaller and new entrant users. Stanwell encourages measures which provide for holders of capacity to easily and profitably trade their unused capacity. However, any capacity trading initiatives must maintain existing property rights.

Further, the existing regulatory environment for gas infrastructure does not provide enough flexibility to promote an active and liquid short term gas market. The arrangements also appear to restrict competition. For example, users are often charged additional fees for intraday nominations by pipelines. These additional fees do not appear to align with the cost to the pipeline of providing these services and discourage current holders of capacity from "on-selling" and users from purchasing unused capacity from other parties.

Although such fees are a commercial decision by pipeline owners, if the regulatory environment rewarded the pipeline owners for their involvement in trading markets, fees which limit gas trading could be reduced. The market requires a regulatory framework that provides for maximum short term trading flexibility.

If you would like us to elaborate further, please contact me on 07 3228 4529 to arrange a meeting.

Regards



Luke Van Boeckel
Manager Regulatory Strategy
Energy Trading and Commercial Strategy

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