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Dear Ms Knights

### **ACCC Submission on the South Australian Derogation on Price Reporting from the Gas Pipeline Regulation National Package**

Thank you for the opportunity to provide a submission on South Australia's proposed derogation from price reporting requirements under reforms to improve gas pipeline regulation.

Over the course of its Inquiry, the ACCC has observed that a large number of pipeline operators appear to have been engaging in monopoly pricing, giving rise to unnecessarily high delivered gas prices and having an adverse effect on economic efficiency (the costs of which are ultimately borne by consumers). The ACCC has found that the lack of publicly available pricing and financial information hinders the ability of shippers to negotiate effectively with pipeline operators and to readily identify any exercise of market power.

The upcoming reforms to pipeline regulation are expected to help constrain the market power of pipeline operators and provide greater price transparency. A key achievement of these reforms is to align information disclosure requirements and require all non-exempt pipeline operators to publish certain basic information, historical financial and demand information. This includes information on prices paid by shippers for pipeline services.

The ACCC welcomes these reforms, having previously highlighted the deficiencies of relying only on the disclosure of weighted average prices, as they are often not representative of the prices paid by individual shippers.

### **The derogation is counter to the interests of South Australian users**

The ACCC is concerned about South Australia's intention to derogate from the requirement for pipelines to publish individual prices. In previous Gas Inquiry interim reports we have identified that users of the Moomba to Adelaide Pipeline System (MAPS) and Port Campbell to Adelaide (PCA) pipeline have faced substantial price increases in recent years. The ACCC and AEMO have forecast potential shortfalls of gas in southern states in the coming years, which could necessitate the movement of gas from Queensland to southern states (including South Australia). The proposed derogation would limit the transparency of pricing on gas pipelines in South Australia, which may make it more difficult for gas suppliers or South Australian shippers to negotiate and agree gas transportation prices to ensure gas is supplied to southern states when it is needed.

There appears to be no evidence to support the suggestion that requiring the publication of individualised prices would reduce the ability for service providers to offer bespoke services to SA users.

Indeed, under Rule 560 of the NGR's, pipeline operators in receipt of a pipeline access request are required to prepare and make access offers within a set period. These service providers are unable to restrict the availability of pipeline services to prospective users unless the services are not technically feasible or consistent with the safe and reliable operation of the pipeline. So even if individual prices are reported, a prospective user in SA could still request a bespoke service and the pipeline operator would be obligated to offer such a service (where it is technically feasible and consistent with the safe and reliable operation of the pipeline).

The improved price transparency proposed in the agreed package of reforms to improve gas pipeline regulation will facilitate, rather than hinder, the development of more bespoke products as shippers and other market participants will have more visibility of the arrangements in place elsewhere.

In contrast, a derogation will mean South Australian users will be at a relative disadvantage to interstate users in their negotiations with service providers. They will be more susceptible to exercises of market power if the derogation is in place.

### **Geographic scope of the proposed derogation**

The consultation paper notes 'there is no intention to impact upon the reporting of individual prices in other jurisdictions. Any contract with a service provider using pipelines wholly or partially in South Australia, where the contract relates to delivering gas for an end-use outside of South Australia, will be required to meet the national price disclosure reporting requirements as set out the National Gas Rules.'

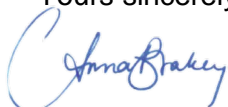
The South West Queensland Pipeline (SWQP) and Moomba to Sydney Pipeline (MSP) connect to the Moomba gas supply hub and are both partially contained in South Australia. These pipelines are used to move significant volumes of gas between Queensland and southern states other than South Australia. It's unclear how a pipeline operator is going to determine the end-use location for gas being shipped to Moomba.

The ACCC is concerned that the derogation could affect individual price reporting in other jurisdictions and suggest that the South Australian Government limit the geographic scope of the proposed derogation by excluding contracts for delivery of gas using the SWQP and MSP. If the South Australian Government is not minded to limit the derogation in this way, the derogation should be limited to contacts with commercial and industrial users located in South Australia.

### **Need to review any derogation put in place**

Any derogation from the individual price reporting obligations should be reviewed at the earliest possible opportunity. As such, of the two options presented in the consultation paper, option 2 has some benefit over option 1 as it could enable testing of the concerns with individual price reporting suggested by stakeholders. However, any such review should consider the experiences of non-South Australian shippers (that will have access to individual price information).

Yours sincerely



Anna Brakey  
Commissioner