



Senex Energy Pty Ltd
ABN 50 008 942 827

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Head Office
Level 30
180 Ann Street
Brisbane Qld 4000

Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601]

GPO Box 2233
Brisbane Qld 4001

T +61 7 3335 9000
F +61 7 3335 9999

info@senexenergy.com.au
senexenergy.com.au

Email PipelineFOR@aer.gov.au

Dear Sir/Madam

RE: Form of Regulation Review - South west Queensland Pipeline

Senex Energy Pty Ltd (**Senex**) welcomes the opportunity to provide comments on the form of Regulation Review: South-west Queensland Pipeline Discussion Paper (**the Review**). We understand the purpose of this Review is whether to make a scheme pipeline determination for the South-west Queensland Pipeline (**SWQP**). A determination would result in the SWQP becoming a scheme pipeline, subject to full regulation. If the AER decides not to make a determination, the SWQP will remain a non-scheme pipeline, subject to lighter regulation.

Senex is a shipper across the various east coast gas pipelines including the SWQP and as such we have a keen interest in ensuring the efficient pricing and utilisation of gas transportation services and appropriate investment in pipelines across the east coast network. On this basis, we wish to make several points regarding the Review.

About Senex

Senex is a world-class supplier of affordable, reliable and secure natural gas – committed to delivering essential energy for life. The energy we proudly provide is essential to our modern lives and for the thriving communities we serve.

We are also a critical energy provider to Australia's manufacturing industry, supporting thousands of workers who make essential goods – from bricks to plasterboard to glass bottles.

Senex currently contributes around 27 petajoules of natural gas each year into the Australian domestic gas market and, in mid-2022, announced plans to invest more than A\$1 billion to boost natural gas supply for the east coast domestic market through the Atlas gas expansion project. This planned investment would see Senex producing 60 petajoules (PJ) of natural gas per year, equivalent to more than 10 percent of annual eastern Australian gas demand by the end of 2025.

Comments on the Review

In responding, Senex is not providing detailed comments on the specific regulatory aspects of the Review, nor do we have a defined view on the need for full regulation of the SWQP. Rather our response provides high level comments/observations around the context the Review and our experiences of the unintended impacts of misguided regulatory intervention in the east coast gas market. These include:

- **The most recent Gas Statement of Opportunities (GSOO)** states that while the scale of gas consumption remains uncertain through the energy transition, particularly in relation to gas usage for electricity generation, all modelled scenarios identify the urgent need for new investments to maintain supply adequacy. Northern producers need to deliver anticipated supplies, and from 2026 investments in currently uncertain supply will be needed to meet domestic requirements and export positions.

Following on, Senex notes that under some modelled scenarios, the SWQP, will be relied on heavily to meet southern demand and pipeline upgrades and expansions/investment are contemplated.

- **The impacts of recent gas market regulatory intervention** - in recent years the gas industry has been subject to no less than 10 major regulatory/policy interventions including the introduction of the Gas Market Code which have had observable negative consequences for the gas market including delaying much needed investment in new supply, slowing down contracting activity and delaying development of short-term gas markets which provided much needed liquidity and price. This is at a time when the market is in desperate need of new supply.
- **Basis for pipeline regulation** Senex appreciates the economic basis for considering the regulation of third-party access to infrastructure such as pipelines and the reasons for the recent changes to the pipeline regulatory framework. Given our experiences, however, we strongly encourage the AER, in undertaking this Review, to seriously consider the unintended consequences of over-regulation, which is difficult to unwind once in place.
- **Full cost-benefit analysis** - regulation should only be used where the benefits clearly exceed the full cost of intervention over the short and long-term. The short-term benefits of regulation should not be preferenced ahead of genuine and evidence-based impacts for investment. Furthermore, for various reasons, often regulation is not appropriately targeted and does not result in driving the outcomes it is seeking to address.
- **Role of the AER** – Senex acknowledges that the AER has been tasked with considering the need for and then undertaking these types of reviews, however it is also the assigned economic regulator of gas pipelines. To mitigate any unintentional bias or perception of bias, it is our expectation that the AER has clear arrangements in place to ensure the independent regulatory assessment of the SWQP and other pipelines in the future.
- **Other improvements** - Irrespective of this Review, Senex considers there are improvements to the design of the east coast gas market including ensuring that pipelines are sufficiently encouraged to release unutilised capacity. We consider discussion of such changes have been deprioritised due to the broader gas market intervention. This is unfortunate and a plan should be developed to reinitiate industry discussions.

Concluding comments

Senex expects the AER to undertake a robust and evidence-based approach to this Review and we look forward to further participation in the process. Senex has been contacted by AER officials to discuss the Review in further detail, which we intend to do shortly. In the meantime, if you have further questions, please do not hesitate to contact Ms Erin Bledsoe at [REDACTED].

Yours sincerely



Erin Bledsoe
Manager, Regulatory & Compliance
Senex Energy Pty Ltd