



Australian Energy Regulator

15 May 2024

## **South West Queensland Pipeline form of regulation review – discussion paper**

AGL Energy (AGL) welcomes the opportunity to provide feedback on the Australian Energy Regulator (AER) South West Queensland Pipeline (SWQP) form of regulation review discussion paper.

Proudly Australian for more than 186 years, AGL supplies around 4.3 million energy and telecommunications customer services. AGL is committed to providing our customers simple, fair, and accessible essential services as they decarbonise and electrify the way they live, work, and move.

AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market (NEM), comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan.

### **The SWQP is an integral part of gas system security**

AGL is a major buyer and seller of gas, with our supply primarily being sourced from the market. We service millions of retail gas customers on the east coast. It is imperative we continue to maintain firm transport options to meet our portfolio commitments on gas. Given the ongoing importance of the SWQP to the efficient delivery of gas to meet southern states demand as Longford declines, we are concerned that introducing scheme pipeline regulation on the SWQP has the potential to add administrative burden, hamper negotiations, distort investment signals, and create transport uncertainty.

### **Regulatory change should be underpinned by robust evidence**

We support the AER in conducting proactive reviews of regulatory arrangements to ensure they remain fit-for-purpose. However, we consider the case for regulatory change needs to be based on evidence of demonstrated market failure before there is a fundamental change to the contracting arrangements on the SWQP. Clear evidence should be provided that demonstrates that implementation of scheme regulation on the SWQP will have a net benefit to the market, while also ensuring this critical infrastructure will continue to receive ongoing investment. At this stage, we do not consider that the case for change has been sufficiently demonstrated for the SWQP. On the contrary, we consider there is evidence that the existing arrangements are working as intended, as explored below.

### **Existing arrangements are working**

Overall, we have not experienced major issues in negotiating access to SWQP services. We consider the existing non-scheme form of regulation enables market-based price settings and efficient investment signals. Any form of new regulation is likely to lead to further uncertainty and complicate transport negotiations, which are at present, functioning as intended. Our preference would be to maintain the current regulatory regime, as this will provide stability for east coast gas transport and continue to deliver efficient investment signals.

We consider there is sufficient evidence of a well-functioning market and services on the SWQP:

- Long-term contracting has supported recent expansions.
- The current contracting outlook demonstrates that there is available capacity to contract in future years.
- Despite high contracting and utilisation in near term peak periods, unutilised capacity is being auctioned.



- There is evidence of parties acquiring transport through swap arrangements.

**A significant program of reforms has already been implemented**

We note in recent years a range of regulatory reforms impacting pipeline services have been implemented, including:

- Amendments to the publication of tariff adjustments (2023).
- Pipeline disclosure requirements (2022).
- Introduction of the non-scheme pipeline classification (2017).
- Adjustments to arbitration and dispute resolution (2017).
- Amendments to cost recovery/revenue determinations and limitations around cross-subsidisation.
- Gas Market Reform Group (GRMG) program (2016-2019), including the introduction of auctions for unutilised capacity.

We consider these reforms have empowered participants and contributed to efficient operation of the market through improved transparency of information and decision making, commercial negotiations, and dispute resolution pathways. Consequently, we consider these changes have contributed to effective operation of the SWQP and that further regulatory intervention is unwarranted. Given the significant program of regulatory reform in recent years, we consider more time is necessary to enable the impact of these reforms to be fully realised before assessing the need for any new interventions.

If you have any queries about this submission, please contact Alifur Rahman on [REDACTED] or at [REDACTED].

Yours sincerely,

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