

# EAST COAST GAS INQUIRY FINAL REPORT

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On 22 April 2016, the Australian Competition and Consumer Commission (**ACCC**) released its final report following its inquiry into the competitiveness of the wholesale gas industry.

The links set out below contain more information on various aspects of the Inquiry:

- Gas supply - [ACCC recommends increasing sources of supply and improving transparency](#)
- Gas transportation - [ACCC recommends new coverage test focussed on market power](#)

While the report is wide ranging, the ACCC focussed primarily on issues impacting gas supply and gas transportation. The ACCC noted that gas producers and pipeline operators have been operating in an industry undergoing substantial change in recent years.

## GAS SUPPLY

The ACCC found that the main issue affecting supply in the east coast gas market was uncertainty regarding the future supply outlook and a lack of transparency and information regarding reserves, resources and prices.

In order to combat these issues, the ACCC made a number of recommendations designed to increase supply, increase transparency regarding reserves and prices, and allow for monitoring of separate gas specifications. The ACCC also indicated that it will reconsider the joint marketing activities of the Gippsland Basin Joint Venture (**GBJV**).

- Read more about how [ACCC recommends increasing sources of supply and improving transparency](#)

## GAS TRANSPORTATION

The ACCC found that pipeline operators have responded in a ‘dynamic’ way to changing market conditions.

However, the ACCC expressed concerns about evidence of monopoly pricing on some pipelines. In response, the ACCC suggested that a new approach to regulating gas pipelines is needed to overcome what it perceives as a failure of the current regulatory regime to prevent the use of market power in the supply of transportation services. In particular, the ACCC has recommended a new market power based test for coverage, which, if implemented, would represent a substantial departure from the trend towards lighter regulation of gas pipelines in recent years.

The ACCC also flagged concerns about the potential withholding of capacity on regional pipelines and indicated that it will further investigate this behaviour.

- The full report can be found [here](#).
- Read more about how [ACCC recommends new coverage test focussed on market power](#)

## NEXT STEPS

If the ACCC’s recommendations are accepted, a number of different organisations will be tasked with carrying out those recommendations. As well as the tasks detailed in the table below, the ACCC has:

- encouraged State and Territory governments to remove blanket moratoria on onshore CSG and manage risks of individual gas supply projects on a case by case basis, and
- requested that AEMO develop and publish monthly LNG netback prices to Wallumbilla.

	<b>Gas supply</b>	<b>Gas transportation</b>
<b>ACCC</b>	<ul style="list-style-type: none"> <li>Consider competitive effect of joint marketing arrangements of GBJV.</li> </ul>	<ul style="list-style-type: none"> <li>Investigate economic withholding of capacity on regional pipelines for contraventions of the prohibitions on misuse of market power or exclusive dealing.</li> </ul>
<b>AEMC</b>	<ul style="list-style-type: none"> <li>Consult with gas users about the potential benefits of requiring AEMO or the AER to publish a periodic price series of actual commodity gas prices paid to producers.</li> <li>Consider how to monitor changes in the level of trading flexibility available to gas buyers over time.</li> </ul>	<ul style="list-style-type: none"> <li>Consider the benefits of a short-term auction process for hub services if it decides to implement the day-ahead auction for pipeline services.</li> <li>Consider requiring the introduction of a centralised capacity trading platform to facilitate secondary capacity trading and day-ahead auctioning of unutilised capacity.</li> </ul>
<b>COAG Energy Council</b>	<ul style="list-style-type: none"> <li>Ensure geological and reserve/resource information collected by the states, territories and the Commonwealth is 'consistent, non-duplicative and shared'.</li> <li>Monitor the emerging issue of separate gas specifications in the east coast gas market.</li> </ul>	<ul style="list-style-type: none"> <li>Consider whether to agree to replace the coverage test in the NGL with a market power based test.</li> <li>Ask the AEMC to consult on the specific matters that should be considered when applying this test and how it should be implemented and to advise the COAG Energy Council of the amendments that would need to be made to the NGL and the NGR to give effect to this new test.</li> <li>Ask the AEMC to review Parts 8-12 of the NGR and to make any amendments that may be required to address the concern that pipelines subject to full regulation may still be able to exercise market power.</li> <li>Ask the AEMC to explore how the scope of the information disclosure requirements in the NGL should be expanded to require all pipelines operating on an open access basis to publish financial information that shippers can use to determine whether or not the pipeline prices are cost reflective.</li> </ul>

## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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