

INTRODUCTION

The Energy Users Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Our members are highly exposed to movements in both gas and electricity prices and have been under increasing financial stress due to escalating energy costs. These increased costs are either absorbed by the business, making it more difficult to maintain existing levels of employment or passed through to consumers in the form of increases in the prices paid for many everyday items.

Importantly, these businesses have invested billions of dollars over the past decades as they built significant productive capacity and underwrote thousands of new jobs. Much of this past investment is now at risk of being stranded, not only putting these direct jobs at risk but also those jobs along the entire value chain that either support or rely on these industries.

In April 2019 the EUAA released its National Gas Strategy Options Discussion Paper that sought to raise awareness of the gas crisis that had been unfolding since the east coast LNG terminals had commenced export, linking domestic gas prices to a volatile international market. The 2016 EUAA discussion paper can be found here <https://euaa.com.au/policies-submissions/#gas>

This discussion paper highlighted that domestic gas prices had dramatically increased from \$4GJ to as high as \$20GJ a level at which many domestic industries are at extreme risk of closure. It also highlighted numerous structural issues with the domestic gas market including the exercise of market power, lack of competition, illiquid spot markets, information asymmetry and government policy that restricted new gas reserves from being developed.

The EUAA was concerned that despite repeated warnings from large industrial users that gas prices were at unsustainably high levels and the key findings of the 2016 ACCC East Coast Gas Report that validated energy users concerns, the gas market reform agenda had stagnated.

We do recognise that some of the structural issues have been addressed through the good work of the Gas Market Reform Group (GMRG) and to some extent the Australian Domestic Gas Security Mechanism (ADGSM), although the absence of a price objective or trigger hinders this mechanism from delivering lower domestic gas prices. The EUAA have also been engaging with the gas markets team at the Department of Environment and Energy on potential reforms, have participated in the recent COAG initiated Regulatory Impact Statements and continue to encourage member companies to engage directly with the ACCC.

However, much more needs to be done. Therefore, we are encouraged by statements made by the Prime Minister regarding a gas led COVID recovery and the recognition of both the importance of gas to the Australian economy and that significant market reform and targeted government support is required to achieve this. We await the outcome of the Andrew Liveres led work in this area and stand ready to support efforts to deliver long-term affordable gas, offered on fair and reasonable terms.

A SNAPSHOT OF WHATS AT RISK

As we consult with large industrial gas users it is clear that what constitutes an acceptable gas price will differ from sector to sector. Some industries can, reluctantly, accept a long-term gas price in the \$7GJ to \$8GJ range. While they can “survive” at this gas price, the prospects of significant investment in expanding their business are low with additional investment likely to occur in lower cost jurisdictions.

For other sectors a gas price in the range of \$7GJ to \$8GJ would lead to plant closure and job losses. For these industries, a long-term gas price in the order of \$5GJ is required. Regardless of the price point, all large industrial gas users continue to report that future investment decisions are being deferred due to uncertainty over domestic gas prices. What is clear from all of these gas users is that if domestic gas prices persist at current levels (i.e. \$9GJ+) they will find it will be virtually impossible to expand their business while some will have little alternative but to close their domestic operations.

There have already been cases where this has occurred such as the decision by Incitec Pivot to construct a new multibillion-dollar facility in Louisiana instead of New South Wales, with gas costs a major influence on this decision. Others in the pulp and paper industries are also reporting they are progressively moving capacity to other jurisdictions such as New Zealand. While other issues such as water costs and availability of sufficient raw materials are factors, energy costs are identified as the key driver.

One of the industry sectors at risk is food processing and associated upstream fruit and vegetable suppliers. A majority of the companies involved in this sector such as EUAA members Simplot and Kagome are gas intensive with few alternatives for fuel switching given the high capital costs involved. Many of these manufacturers are very concerned about future gas prices, the long term impact on their operations and ability to produce price competitive products, especially where there is a material threat from imports.

It is not just the direct food processing implications but the potential knock-on effects to the farming sector and regional and rural Australia where a majority of these industries are located. Other suppliers in the food and beverage value chain such as EUAA members Incitec (fertiliser), Orora (paper and cardboard), Visy (glass and paper) and Qenos (plastics), could also experience a significant downturn if we rely more on imported food products over time.

Many building products manufacturers such as bricks, steel and cement are also gas intensive with increasing costs largely being absorbed by these business, impacting their bottom line, reducing their ability to re-invest and putting jobs at risk.

We are also concerned about the impact of unsustainably high gas prices on wholesale electricity prices and the smooth transition to a low emissions energy system. While battery technologies and pumped hydro will play a growing role, highly flexible gas turbines will also play a crucial role in stabilising the electricity grid and smoothing out variable generation from wind and solar.

We have observed lower wholesale electricity prices in the last 6 months, due in part to lower spot gas prices flowing through to the wholesale market. With higher gas prices the inverse of this will occur with higher spot prices flowing through to higher wholesale costs for consumers.

LATEST ACCC GAS MARKET REPORT – JULY 2020

Despite increased transparency and reform over the last four years, the ACCC in its latest report published on 17th August 2020 concluded that [domestic gas users are paying too much](#):

“Australia’s east coast gas users are paying prices significantly above export parity prices...

“The ACCC is very concerned with the widening gap between domestic and export parity prices, which will have an inevitable impact on Australia’s industrial sector during what is already a difficult economic period,” ACCC Chair Rod Sims said.

“Queensland LNG producers sold 18 LNG spot cargoes into international markets in late 2019 and early 2020, equivalent to more than 10 per cent of annual domestic east coast demand. This gas was sold at prices substantially below domestic gas price offers, showing the importance of our continuing work to understand the drivers behind the price levels we are seeing across the domestic market.”

“It is also clear that recent Australian contract gas prices do not reflect overseas forward prices.”

“I am yet to hear a compelling reason from LNG producers as to why domestic users are paying substantially higher prices than buyers in international markets.”

“When we have lower gas prices around the world, and the Australian market linked to world gas markets, it is vital that Australian gas users get the benefit.”

In this recent update, the ACCC made the following recommendations:

Short term:

- Extension of the existing Commonwealth Government’s Heads of Agreement with LNG producers, due to expire at the end of 2020, because of the demonstrated capacity of LNG producers to supply additional gas into the domestic market when needed.
- Strengthening the agreements price commitments by reference to LNG price expectations and the prices LNG exporters could expect to receive for uncontracted gas in overseas markets over the relevant period.

Medium - Longer term

- Expansion in gas transport capacity from Queensland to southern States
- Increase the diversity of suppliers when granting new tenements and active management of tenements to ensure producers bring gas to market in a timely manner.
- While the east coast gas market is expected to have sufficient supply in 2021 given the LNG producers gas surplus, the risk of a shortfall in the southern states in the medium term has increased
- Investment in import terminals

The impacts of COVID-19 and the collapse in oil prices are being felt at all levels of the gas supply chain, and they have highlighted key areas of dysfunction in the market. There is a significant cumulative effect on gas users which exacerbates the difficulties being experienced by many commercial and industrial users.

POLICY AND REGULATORY OPTIONS

The EUAA is a technology neutral organisation. Our primary concern is achieving the best outcome for consumers measured by:

1. Achieving a long-term sustainable gas price that allows existing business to flourish and for new investments in manufacturing to occur.
2. Ensuring a competitive and highly liquid domestic gas market where market power is minimised or can't be exercised.
3. Achieving fair and reasonable contractual terms and conditions.
4. Improving transparency and decreasing information asymmetry.

The EUAA does not provide explicit support for individual projects or suppliers rather it supports approaches, actions and investment that clearly demonstrate that they contribute to meeting the above principles including appropriate action by Government.

There has been some excellent work in recent years by the ACCC to improve transparency and reduce information asymmetry, by the GMRG to establish pipeline capacity trading and implement an arbitration framework to help level the playing field between shippers and pipeline operators and by the Federal Government via the ADGSM/Heads of Agreement that has balanced domestic supply, although recognising this has not had a material impact on domestic prices.

We also note the Victorian Government has recently lifted the moratorium associated with conventional on-shore gas while the Queensland Governments approach to prospective gas reservation has seen some improved outcomes for domestic consumers.

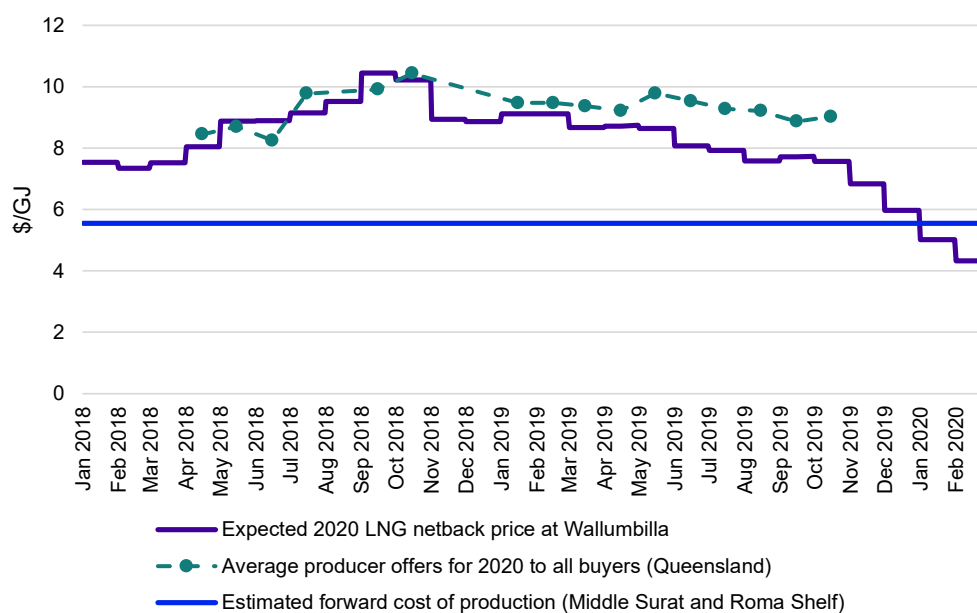
The EUAA and member companies were invited to engage directly with the Federal Department of Industry, Science, Energy and Resources on a range of policy and regulatory approaches that would help improve outcomes for large commercial and industrial gas users. In addition to this, the EUAA, member companies and other representative bodies have been working with Axiom Economics and NERA Economic Consulting with similar goals as above. A summary of policy and regulatory options developed as part of this work is provided as *Attachment A*.

We understand these options are being fed into the Federal Governments deliberations on the best way to accelerate maturity of the domestic gas market and to achieve better outcomes for gas users.

However, progress to date has been frustratingly slow. Domestic gas markets are still immature, opaque, lack liquidity and exhibit limited competition. The result of this is clearly demonstrated in the recent July 2020 ACCC Interim Gas Report that shows while LNG netback has come down (representing lower global prices), the domestic contract gas market remains significantly higher.¹

¹ Prices offered for 2020 supply relative to expected 2020 LNG netback prices. ACCC Gas Inquiry Interim Report July 2020, Page 52

Chart 2.5: Averages of monthly gas commodity prices offered by Queensland producers for 2020 supply against contemporaneous expectations of LNG netback prices



Clearly, much more needs to be done on gas market reform if we are to achieve a domestic gas market that sustains both the gas industry and customers. The EUAA continue to advocate for an “end-to-end” national gas strategy that targets an affordable price and fair and reasonable terms and conditions for consumers rather than just more supply in the hope that this alone will resolve a fundamental lack of competition.

While the objectives of gas market reform are universally agreed by EUAA members, there are a range of views expressed as to the best way to move forward. The following options represent a range of policy and regulatory reforms that have been discussed and debated amongst EUAA members and as part of broader discussion. Where possible, we have tried to identify the level of support that exists for each policy and regulatory option.

Federal Government Announcement – Gas Fired Recovery 15 September 2020

The EUAA are very supportive of the suite of measures announced by the Federal Government on 15 September 2020. Our media release can be found here <https://euaa.com.au/government-gas-plan-finally-puts-consumers-first/>. Many of the medium to longer term measures are highly aligned with the policies and are detailed in the following sections.

In addition to medium to longer term initiatives, a number of short-term measures announced by the Federal Government should be positive for domestic gas users including a re-negotiated Heads of Agreement between the Commonwealth and LNG exporters and developing a Gas Industry Code of Conduct for all gas industry participants.

Specifically, the objective of the Federal Government to, “Avoid any supply shortfall in the gas market with new agreements with the three east coast LNG exporters that will also strengthen price commitments” is a very positive development. We are also encouraged by the Prime Ministers statements that he also wants to “empower gas customers” and that gas customers should be part of the negotiation of a new heads of agreement.

Immediate Actions

There is strong support for extending and strengthening the Commonwealth Heads of Agreement:

EUAA members support the extension of the existing Commonwealth Government's Heads of Agreement with LNG producers because it has been clearly demonstrated that LNG producers have the capacity to supply additional gas into the domestic market when needed.

It has been suggested that strengthening the agreements price commitments could be achieved by reference to LNG price expectations for uncontracted gas in overseas markets over the relevant period. EUAA members are concerned this will drift toward the higher cost Asian spot price (i.e. JKM), does not represent fair and reasonable contract pricing and will not place sufficient downward pressure on domestic gas prices. The selection of a suitable reference price (Henry Hub has been suggested) and further refinement of the LNG netback methodology should be part of this discussion.

Further to this, the introduction of market maker provisions (discussed below) should be linked to this to help build liquidity in the near term and ensure that actual contract volumes are offered to domestic customers.

There is strong support for a gas industry code of conduct:

While gas users would approach this with a healthy degree of scepticism, the EUAA would be a willing participant in its development provided it is demonstrated to be a genuine attempt by the gas industry to improve outcomes for gas users and not a public relations exercise.

While a broad collection of codes of conduct could be considered, the EUAA have been a central participant in establishing the Energy Charter <https://www.theenergycharter.com.au> which is an industry led initiative designed to improve outcomes for energy users. Importantly, signatories prepare annual disclosure statements and submit them to an Independent Accountability Panel put in place to assess signatory progress against a jointly (industry and customers) agreed set of principles and maturity model. It's only in its second year but has already improved dialogue between industry and customers and is leading to a number of joint initiatives. Key to this has been close alignment between the signatories and the End User Consultative Group (the EUAA have played a leading role in this group as well).

There is strong support for the establishment of a multi sector gas task force:

All too often gas users have felt their voices have not been heard. We are heartened to hear comments from the Prime Minister that has wants to "empower gas customers" and are keen to ensure this occurs. While the EUAA and its members have been engaging at both a departmental and political level for some time it is difficult to understand what impact this is having on policy.

Therefore, we recommend the Federal Government convene a permanent, multi sector gas task force that covers all aspects of the gas supply chain with a view to ensuring announcements made on 15 September 2020 are followed through and that additional policy and regulation is progressed that brings about a mature, transparent and highly liquid domestic gas market capable of delivering economically sustainable outcomes for all stakeholders.

Supply

There is strong support for the establishment of an Australian Gas Hub:

The Henry Gas Hub, located at Erath Louisiana, is the the key pricing point for natural gas futures contracts and OTC swaps in the USA and, due in part to its interconnection with nine interstate and four intrastate pipelines, also makes it one of the most liquid gas trading hubs in the world. Aiming to replicate this by establishing a central Australian Gas Hub at Wallumbilla is laudable and if achieved would deepen liquidity and improve transparency, particularly for northern gas buyers.

While very supportive of this, southern gas buyers are concerned with both dwindling southern gas supply and worsening north-south pipeline congestion that would restrict access to this proposed hub and the prospect of lower prices (not to mention north-south pipeline charges).

Therefore, for it to have a truly national benefit significant north-south pipeline infrastructure should also be encouraged to increase southern supply and improve pipeline competition. In lieu of this, establishing a more liquid and transparent southern hub (including increasing southern based supply options) would also be supported by EUAA members.

There is strong support for removing gas moratoria:

Replacing the blunt instruments of moratoria with transparent technical assessment, robust planning/monitoring and a just compensation framework for landowners should be a priority.

There is strong support for prospective gas reservation:

We encourage state governments to continue to identify and release new acreage, with an allocation for the domestic market. Queensland has already set a precedent and it has been well received by market participants. We would not be opposed to linking additional state and commonwealth support (i.e. underwriting, book build) to new acreage set aside for domestic gas users.

There is strong support for asset underwriting and book build programs:

Working in tandem with prospective domestic gas reservation, establish an asset underwriting program designed to not only bring new forms of supply to the domestic market but to assist in diversity of suppliers.

Similar to Recommendation 4 in the July 2018 ACCC Retail Electricity Price Inquiry² the Federal Government would act as a commercial safety net to assist proponents secure longer-term GSA's and obtain required funding.

² REPI recommendation 4 proposed that the Australian Government should operate a program to encourage new entry, promote competition and enable C&I users to access low-cost new generation. The recommendation was aimed at supporting the development of a competitive market by introducing additional independent firm supply and reducing concentration.

EUA members are also supportive of developing a book build program that further assists with developing long-term pipeline assets and new acreage development.

In both of these examples, the Federal Government is not directly competing with private investment (a criticism of some of its actions in electricity markets) but is acting to reduce risk for market participants by leveraging its strong balance sheet.

There is broad support for the introduction of use it or lose it provisions:

As recommended by the ACCC in their August 2020 Gas Market Update³, Government should look to “active tenement management” to ensure gas acreage is not being withheld to the detriment of domestic gas users.

There is some support for LNG cargo underwriting (Virtual Pipeline):

Should LNG import terminals be established by non-government participants on the east coast, governments could underwrite LNG cargoes from North West Shelf. This would have an immediate impact on supply, price and competition in both wholesale gas markets and transportation.

Market Development

There is strong support for the introduction of market maker provisions:

Accelerate the maturity of the wholesale domestic gas market with a medium-term goal of achieving similar outcomes to the wholesale domestic electricity market.⁴ Within this context, government should consider the introduction of “market maker” requirements on major wholesale participants in regions where there is low liquidity and little price discovery.

Market maker requirements are already being considered for the South Australian wholesale electricity market for these same reasons.

There is strong support for actions to reduce the likelihood of market power:

Working in tandem with incentives to increase both new supply and diversity of suppliers, ensure the ACCC has all that it needs to monitor market structure and market power and to take appropriate action where necessary.

There is strong support for market development initiatives:

Over the last 18 months, the EUA have had regular discussion with the Commonwealth Department of Energy regarding potential policy and regulatory reforms. We have also been part of consultation with Axiom Economics who have been engaging with gas users on behalf of the Commonwealth. Appendix A provides an outline of a number of policy and regulatory reforms that would be helpful.

³ <https://www.accc.gov.au/publications/serial-publications/gas-inquiry-2017-2025/gas-inquiry-july-2020-interim-report>

⁴ Electricity is traded through a “gross pool” market where all energy is traded in an open, transparent fashion that facilitates high levels of liquidity and price discovery

There is some support for the introduction of big stick legislation:

This is a vexed issue. The Federal Government has recently enacted its “big stick” legislation to ensure electricity market participants do not exercise market power, despite significant competition already occurring in that market. The EUAA were opposed to the introduction of this measure believing it unnecessary in the circumstances.

However, we note that many aspects of the domestic gas market are far less competitive yet we see little evidence of strong government actions to address what many gas users feel have been instances of an abuse of market power. It would be useful to understand the diversity of approach taken by government to market reform in electricity markets as opposed to the approach in gas markets.

Transportation

There is strong support for asset underwriting:

Working in tandem with prospective domestic gas reservation, establish an asset underwriting program designed to support more gas pipeline development to help bring both new forms of supply to the domestic market assist in supporting a diversity of suppliers (i.e. Expansion in gas transport capacity from Queensland to southern States).

Similar to Recommendation 4 in the July 2018 ACCC Retail Electricity Price Inquiry⁵ the Federal Government would act as a commercial safety net to assist proponents secure longer-term GSA’s and obtain required funding.

There is strong support for streamlined planning:

Working in tandem with asset underwriting, governments could consider accelerated planning approvals and favorable regulatory treatment in exchange for price guarantees for shippers. A precedent exists with the new rules to make the AEMO ISP actionable where a streamlined approvals process seeks to balance regulatory oversight, transparency with a quicker regulatory approval.

There is some support for import terminals:

In their recent Gas Market Report, the ACCC have recommended investment in import terminals as a means of improving market conditions for consumers. The impacts, both positive and negative of LNG import is a point of debate amongst member companies. Some feel it will lock the domestic market into an international price while other feel that could be an important source of new supply and driver of increased competition.

The EUAA do not comment on individual projects other than to state that if market participants are prepared to make these investments and these investments lead to increasing competition and lower prices for consumers then the EUAA would be highly supportive (provided they acquire all necessary approvals).

⁵ REPI recommendation 4 proposed that the Australian Government should operate a program to encourage new entry, promote competition and enable C&I users to access low-cost new generation. The recommendation was aimed at supporting the development of a competitive market by introducing additional independent firm supply and reducing concentration.

There is some support for establishing a west to east pipeline:

If media reports are correct, a significant recommendation of the NCCC will be to recommend that the Federal Government underwrite a new high-pressure gas pipeline to bring natural gas from Gorgon in Western Australia to the East Coast market with a target price of \$4GJ to \$5GJ. As we are yet to see the detail of this proposal it is difficult to provide comment other than to postulate that such an endeavour would require significant, long-term government support.

As previously stated, if market participants (or the Federal Government in this case) are prepared to make such investments and or commitments and this led to increasing competition and lower prices for consumers, then the EUAA would be highly supportive (provided they acquire all necessary approvals).

END USE EFFICIENCY

There has been considerable focus on energy efficiency in the context of reducing electricity bills over many decades. Federal and State Government education programs, grants for energy efficiency audits and funding programs for a range of practical improvements including replacing lighting systems, improving efficiency of compressed air systems and upgrading to high efficiency HVAC systems.

We have not seen evidence of a similar effort to improve end use efficiency. While it is suggested that simply “switching fuel” to gas alternatives or electricity is a viable option, this ignores both the significant capital investments already made by energy users, that would need to be written off, and the additional capital investment required to switch fuels. Some energy users may be in a position to fuel switch (i.e. they are about to embark on a capital upgrade program) but for a majority, the short to medium-term opportunities are limited.

Therefore, for a vast majority of industrial gas users lowering the cost of gas and increasing end use efficiency are the primary means of managing near term issues associated with high gas costs.

We would suggest that governments consider replicating energy (electricity) efficiency programs already in place that:

- Educate and raise awareness of gas efficiency opportunities
- Identify clear actions that can be taken while quantifying benefits
- Assist with deployment of technologies to improve gas efficiency

OTHER MEASURES

ALTERNATIVE FUELS

We continue to keep a watching brief of alternative fuels such as renewable gas and hydrogen. Volume and cost competitiveness need to improve, in some cases dramatically, for alternative fuels to be a viable option for energy users.

We are supportive of government R&D and early stage deployment support for alternative fuels via agencies such as ARENA and the CFC.

DOMESTIC NETBACK – AN ALTERNATIVE APPROACH

There is broad support for developing a more cost reflective approach to domestic LNG netback. A number of EUAA member companies, including some of the nation's most significant industrial gas users, have looked at an alternative methodology for calculating LNG netback, believing strongly that the current ACCC netback methodology includes costs that should not be recovered from domestic gas users.

The argument, supported by the EUAA, is that that fixed costs associated with recovery of capital and financing of the gas trains themselves should be subtracted from the LNG netback calculation. Essentially, if these fixed costs continue to be included in LNG netback methodology then Australian consumers will be paying for a service that is not rendered (i.e. liquefaction) and subsidising international gas buyers by contributing to capital cost recovery on an asset that is not part of the domestic supply chain.

We would point to the recent Financial Services Royal Commission where Commissioner Hayne was highly critical of the practice of financial institutions charging customers for services not actually delivered. We believe there are clear parallels with LNG netback.

Adopting this revised, more cost reflective methodology, would reduce LNG Netback by between \$2.00GJ to \$2.20GJ, providing a true domestic gas price while maintaining reasonable margin for domestic gas producers.

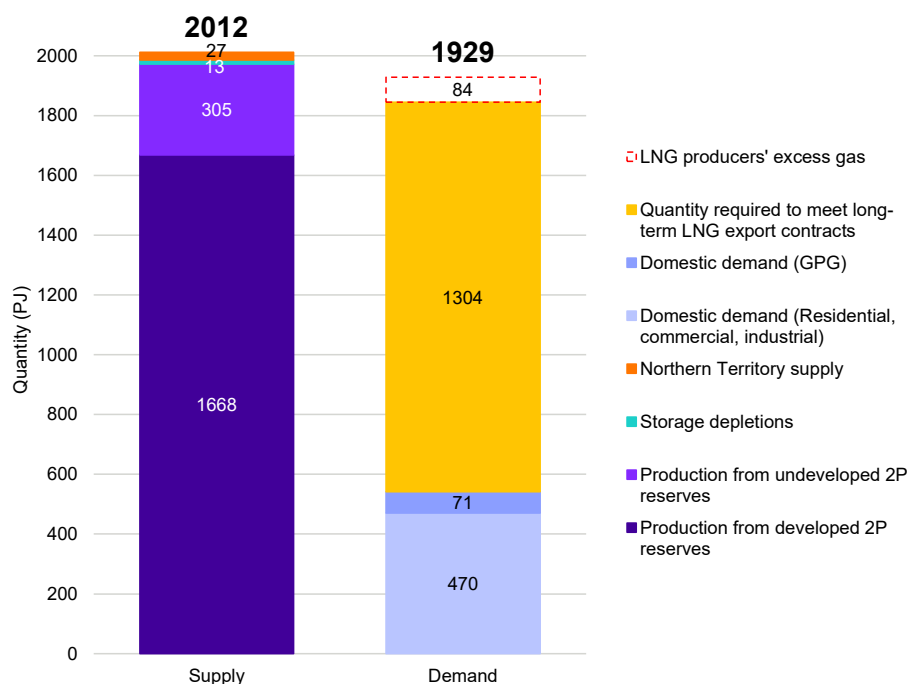
RETROSPECTIVE GAS RESERVATION

There is limited support for retrospective gas reservation at this time. Domestic gas reservation is a feature of virtually every jurisdiction that has established an LNG export industry, recognizing that its citizens are the ultimate owners of the resources and therefore should enjoy the full benefits of it. They have also sought to protect their domestic economy from global price fluctuations and in doing so maintain their international competitiveness. It is a source of great frustration that Australia did not adopt a similar approach.

According to the most recent ACCC Gas Inquiry Interim Report⁶ domestic demand (including GPG) represents approximately 25% of the East Coast Gas Market, with the balance going to LNG export facilities. If the total volume of domestic gas associated with a retrospective gas reservation policy was prioritised to "high value" tasks such as manufacturing and peaking generation the total volume covered by the reservation policy would be relatively small and could be sourced from a combination of existing 2P reserves and excess gas.

⁶ ACCC Gas Interim Report, July 2020. Page 10.
NATIONAL GAS POLICY OPTIONS- UPDATE | SEPTEMBER 2020

Chart 1: Forecast supply-demand balance in the East Coast Gas Market (including supply from the Northern Territory) for 2021



Despite this it would represent a significant step by governments due to investor and regulatory risk issues that could be created and would likely have a negative impact on short term investment by the gas industry.

We would note that large commercial and industrial gas users are also significant investors in the Australian economy and have been suffering from a form of investor and regulatory risk themselves given domestic gas has risen between 100% to 200%, putting much of their investment in plant and equipment at risk. This aspect of economic destruction and investor risk seems to have been lost in the debate.

If used as a last resort, it will, by the necessity of the situation it is seeking to address, be implemented quickly with the objective of near immediate effects. To achieve this, it will need to cut deeply and dramatically into the domestic gas market. The impact of implementing domestic gas reservation in these circumstances it is likely to have significantly greater consequences that if implemented in a gradual, coordinated manner that allows market participants to adjust.

Therefore, careful consideration should be given to this option now and firm decisions made that provides clear guidance to all market participants.

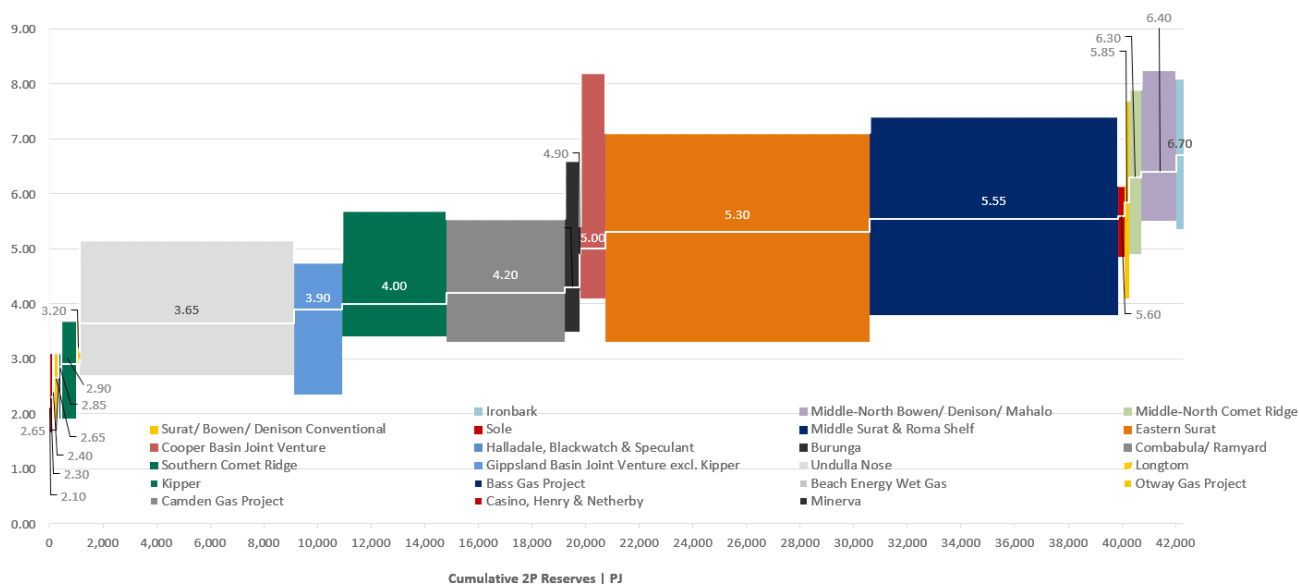
PRICE CAPS

There is limited support for the introduction of price caps. The introduction of price caps would be another significant step by government. In consideration of what price cap or price range would be possible, a report published by Core Energy and Resources for the ACCC⁷ as part of their initial gas inquiry provided the following cost

⁷ <https://www.accc.gov.au/system/files/Core%20Energy%20report%20for%20ACCC%20-%20November%202018.pdf>

summary of 2P reserves by supply region. This would indicate that if price caps or price range were introduced then a price range of between \$5.00 GJ and \$7.50 GJ would be possible.

Figure 1.1.2 Go forward cost summary- High low and reference cost range : 1 Jan 2018 \$/GJ y axis and X axis PJ of 2P reserves per supply region



ATTACHMENT A

Table 5.2: Summary of options

Table 3.2: Summary of Options				
	Measure	Straight forward for Commonwealth Gvt to implement or champion?	Timing of impact once implemented*	C&I user group
Measures to increase domestic supply (treat problem)				
1a	Management and enforcement of producers' compliance with permits	▪ Yes for Cth offshore tenements/grants ▪ No for onshore tenements/grants because requires state/territory gvt action	Medium to longer term	All
1b	Issuance of more tenements and/or grants (see also 2b)		Medium to longer term	All
1c	Gvt co-ordination and potential underwriting of pipeline investment	▪ Yes for funding but planning process requires state/territory gvt action	Medium to longer term	All
Measures to increase producer competition (treat problem)				
2a	ACCC review of joint marketing	▪ No – ACCC investigation required	Short to medium term	All
2b	Award tenements and grants to junior producers, or new entrants to the East Coast market	▪ Yes for Cth offshore tenements/grants ▪ No for onshore tenements/grants because requires state/territory action	Medium to longer term	All
Measures to facilitate more retail competition for C&I users (treat problem)				
3a	Expand scope of the AER's Energy Made Easy website, or develop another website for C&I users	▪ No if implemented through AER site ▪ Yes if implemented through a new site	Short-term	Small – medium
3b	Mandatory market making	▪ No – requires change to legislation/rules	Short to medium-term	All
3c	Gas release programme	▪ No – likely requires ACCC investigation and then change to legislation/rules	Short to medium-term	Small – medium
Measures to improve producer-retailer selling practices and reduce imbalance in bargaining power (treat symptoms)				
4a	Introduce producer and retailer negotiation framework	▪ Yes if industry code developed ▪ No if regulatory option taken	Short-term	All
4b	Require retailers to provide cost breakdown for offers and invoices		Short-term	Small – medium
4c	Require retailers to explain risks if selling facilitated market products		Short-term	Small – medium
4d	Reform EOI processes		Short-term	Medium – large
4e	Develop standardised producer and retail agreements that act as a baseline for negotiations		Short to medium-term	All
4f	Buyers' groups	▪ Yes – already possible under CCA	Short-term	Small
4g	Collective switching	▪ Yes if voluntary switching programme ▪ No if forced switching or imposition of obligations on retail bills	Short to medium term	Small
Measures to improve access to infrastructure (treat the problem and symptoms)				
5a	Pipeline access education programme	▪ Yes – AER is already able to run	Short-term	Medium – large
5b	Improve access to regional pipelines	▪ No – requires change to legislation/rules	Short to medium-term	All
5c	Third party access to storage	▪ No – requires change to legislation/rules	Short to medium-term	Medium – large
Measures to improve the conduct of third party intermediaries (treat problem)				
6a	Introduce mandatory code of conduct or accreditation scheme for third party procurement advisors	▪ Possibly if ACCC directed to develop code or scheme for gas and electricity	Short to medium-term	Small
Measures to reduce complexities, costs and risks of self-contracting and markets (improve other aspects of market)				
7a	Business energy coaching	▪ Yes if funded by Cth	Short-term	All
7b	Improve facilitated market registration process and reduce other barriers to these markets	▪ Yes – AEMO already able to do	Short-term	Medium – large
7c	Review level of market price caps	▪ Yes – Already scheduled to occur	Short-term	Medium – large
7d	Facilitated markets education programme	▪ Yes – AEMO already able to do	Short-term	Medium – large
7e	Market making obligations for financial derivatives	▪ No – relies on action by ASX or legislative/rule changes.	Short to medium-term	Medium – large
7f	Develop more cost-effective risk management products for STTM	▪ No – relies on action by ASX	Short to medium-term	Medium – large
7g	Ring fencing and other arrangements for facilitated mkts	▪ No – requires review by AEMC and legislative/rule changes.	Short to medium-term	Medium – large

Source: NERA and Axiom Analysis.

* Short-term = < 1 year, medium-term = 1-3 years and long-term = >3 years