

## FORM OF REGULATION OF SW QUEENSLAND PIPELINE

08 NOVEMBER 2024

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.

The EUAA supports the Draft Decision "...not to make a scheme regulation determination at this time" (p.6).

We make the following comments in support of our position.

In our earlier submission on this matter, we noted the lack of information provided by the AER to help us answer the questions we were asked. We appreciate the analysis provided in the Draft Decision on the potential impact of regulation on pipeline tariffs, noting that the actual value is very dependent on the assumptions, particularly around opening RAB value.

We support the AER's close monitoring of APA over the coming years. APA will now have every opportunity to show that it is not exercising its monopoly power by the prices it charges shippers for the expanded capacity it will now build. While there have been some improvements in non-scheme regulation in recent years, there are still barriers for end use consumers to negotiate with APA, including:

- bargaining asymmetry even with a mediator rather than an arbitrator for smaller shippers; APA has a much greater interest in winning than a single shipper; as the Draft notes on p.39 the majority of shippers, who contract a small capacity, do not have countervailing power
- given that many end consumers buy a delivered product through a retailer, what incentive is there for a retailer to bargain hard with APA?, and
- what ability is there for them to bargain hard anyway when, as the Draft Decision says, they do not have alternatives and demand is 'relatively inelastic' (p. 43)?

We will have to wait and see whether the strengthened non-scheme measures will work. The absence of mediation/arbitration should not be seen as an indicator of success of the new non-scheme obligations.

The Draft Decision seems to be 'finely balanced' (p.6) because of the methodology used to assess the costs and benefits of regulation. As the Draft Decision says on p.16, the AER did not consider you are required to undertake '...a full quantitative cost benefit analysis under Section 112 of the NGL ...' and we agree that would be complex.

However, as we said in our earlier submission, the impact on gas consumers in Victoria of a lack of investment to expand SWQ capacity could have a significant impact on southern States consumers who are forced to buy imported LNG at an LNG linked price. This marginal supply from imports then greatly influences the price for all gas in the domestic market. Contrary to the impression given on p.16, that these costs of imported LNG would be

certainly 'incurred' by southern States gas consumers. These additional costs are likely to be considerably above any savings from scheme regulation.

Ideally the issue of SWQ pipeline regulation should have been decided 10-15 years ago when gas users were first raising the potential use of market power. It was only when the ACCC finally produced their first Gas Market Report in 2016 that they confirmed what users had been saying about pipeline market power for some years previously. The Draft Decision refers to that report on p.14. Unfortunately, the pipeline regulation reform process has taken 8 years to get to this point when the domestic supply situation forces a completely different AER decision than what it should have been in 2016.

Do not hesitate to be in contact should you have any questions.



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