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**SOUTH AUSTRALIAN  
WATER CORPORATION**

Australian Energy Market Commission  
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**Reference: GPR0003**

**SA Water submission on AEMC, East Coast Wholesale Gas Market and Pipeline Frameworks Review, Stage 1 Draft Report**

Thank you for the opportunity to comment on the East Coast Wholesale Gas Market and Pipeline Frameworks Review, Stage 1 Draft Report.

SA Water provides regulated essential water and wastewater services to the State of South Australia. The delivery of its services requires significant energy use and SA Water actively manages its energy portfolio to continuously improve energy outcomes including pursuing low cost gas supply arrangements.

Significant effort and investment has been initiated by SA Water to manage its energy costs and drive down the price of services to its customers. SA Water actively manages energy costs through curtailment of activity; generation of electricity from biogas and natural gas, mini-hydro systems, importing electricity at spot price, hedge instruments and energy efficiency initiatives. SA Water participates in the STTM as it offers an alternative supply of energy only under certain market conditions.

SA Water has reviewed the Report and is concerned that the recommended changes may remove the current benefits received through its participation in the STTM. In particular, we are concerned that the changes may result in SA Water's ongoing investments and participation in the STTM to be uneconomic.

Market Administration

SA Water recently registered to participate in the STTM at the Adelaide hub in response to difficulties experienced receiving reasonably priced gas retail supply offers. SA Water currently secures the majority of its gas directly from the STTM and is able to manage its gas price risks via physical and contractual arrangements.

The registration processes to enter the STTM are not considered to be a barrier to entry, nor is the operation of the market overly complex and the transaction costs are insignificant in comparison to the reductions in costs achieved.

It is SA Water's view that the transition to a single STTM hub would lead to a significant increase in complexity due to the need to interact with additional monopoly pipeline owners to establish haulage agreements for SA based gas consumers.

**Position: SA Water does not support the findings that the STTM is complex, that administration costs are excessive and that price risks cannot be managed.**



### Price Transparency

The STTM provides price signals and transparency that would not exist under the voluntary bulletin board approach suggested in the report. SA Water considers the current price signals provided at each of the STTM hubs are an efficient reference price. These price signals have been incorporated into SA Water's fuel optimisation analysis and are critical to the efficient operation of our assets.

SA Water supports the recommendation in the report to increase long term price transparency by expanding the information included on the Bulletin Board, however, is concerned that the recommendation to develop the Bulletin Board as proposed is not a substitute for the price transparency provided in the STTM under the current market rules.

**Position: SA Water supports improvements to long term price transparency and continuation of the price transparency provided in the STTM.**

### Market Structure

The Report describes a preference to transition to a 'balancing' market structure, however the Report does not detail what a 'balancing' market is, how it would operate, the changes to hub pricing or the impact on direct customer access. SA Water is concerned that a 'balancing' market may remove the efficiencies it has achieved through participation in the STTM.

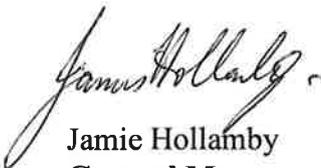
SA Water does not believe a case has been made for a 'balancing' market and that an objective to transition to this market structure should not be assumed by the AEMC.

**Position: SA Water does not support transition to a 'balancing' market structure without clear definition of its operation and economic advantages.**

We thank you for this opportunity and trust our comments and experience will assist the AEMC in completing the final report to ensure COAG's vision for the Australian gas market is achieved.

Should you wish to discuss SA Water's experience in more detail we would be happy to assist.

Yours sincerely



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