

Our Ref: 30454249
Contact Officer: Kevin Fincham
Contact Email: [REDACTED]

Submission to the Gas Market Review

The Australian Energy Regulator (AER) welcomes the opportunity to respond to the consultation paper for the Commonwealth Gas Market Review being conducted by the Departments of Climate Change, Energy, the Environment and Water (DCCEEW) and Industry, Science and Resources (DISR).

Role and functions of the AER

The Australian Energy Regulator (AER) has regulatory responsibilities across the entire gas supply chain in eastern Australia.

At the wholesale level, we monitor and report on gas spot markets in Sydney, Brisbane, Adelaide and Victoria; gas supply hubs at Wallumbilla (Queensland) and Moomba (South Australia); short-term secondary capacity markets for gas transportation; and activity on the Gas Bulletin Board, which is an open access information platform covering the eastern gas market.

We monitor the markets and bulletin board to ensure participants comply with the National Gas Law and National Gas Rules, and we take enforcement action when necessary. Our compliance and enforcement work aims to promote confidence in the gas market to encourage participation. We also monitor the markets for particular irregularities and wider inefficiencies. For example, our monitoring role at the Wallumbilla and Moomba hubs explicitly looks to detect price manipulation. We are also the compliance and enforcement body for AEMO-facilitated auctions for secondary capacity in transmission pipelines.

Our reporting covers gas spot market activity, prices and liquidity and includes gas industry statistics, significant price variation reports and wholesale markets quarterly reports. The quarterly reports also include analysis of eastern Australia's liquefied natural gas (LNG) export sector and its impact on the domestic market. From July 2023, the AER began reporting more information on the export, reserve, storage, and domestic sale and swaps of gas. In May 2024, new wholesale market monitoring powers enhance the AER's ability to monitor gas markets.

Over the past year, the AER has undertaken preliminary analysis on competition, efficiency and performance across the facilitated gas markets in support of our first wholesale gas monitoring report under this new power (NGL s 30AC(2)), due to be published in May 2026. The findings of this preliminary analysis were published across a series of reports focusing on specific facilitated markets to assess whether they have supported efficiency and

competition in the east coast wholesale gas market:

- [The Day Ahead Auction](#)
- [The Gas Supply Hub](#)
- [Downstream Spot Markets- Short-Term Trading Markets and the Declared Wholesale Gas Market.](#)

Drawing on this work, our submission is focussed primarily on the consultation questions relating to efficient wholesale markets. Our findings and the feedback received from market participants in developing these reports highlight similar issues the Review raises in relation to these issues. In the submission to follow we have:

- summarised relevant aspects of those findings as they related to the consultation questions on efficient wholesale markets and tabulated all key findings from the reports at the end of this submission
- made a recommendation to improve reporting transparency in Gas-Supply Hub (GSH) off-screen trade
- in response to consultation questions on governance of gas market regulations and reporting, highlighted our support for rationalisation of reporting requirements.

In the full May 2026 report, we intend to build on those initial findings, deepen our analysis of competition and efficiency, and consider to a greater the interactions between facilitated markets and bilateral contract markets for supply, transportation and storage.

Findings from recent focus reports into east coast wholesale gas markets

Since their inception, the facilitated wholesale gas markets have grown and participants in these markets appear broadly positive about how these markets have complemented longer-term bilateral contracting. This growth is evident in the increase in the number and diversity of participants trading in these markets and higher volumes traded through the markets. Broadly this points to improving conditions for competition in these markets. It is relatively more complex to evaluate the efficiency of the facilitated markets and we aim to deepen our analysis of market efficiency in our May 2026 report and ongoing monitoring.

For each focus report, we engaged with relevant market participants to discuss issues related to the performance of the facilitated markets, including the roles the markets serve and potential barriers to entry. While each of the markets is distinct in function and structure, we observed and reported on consistent themes:

- Participants reported relying on the facilitated markets as a general means to optimise daily gas portfolios or add flexibility to contracted supply. That is, to date these markets have largely been a complement, rather than a substitute, to longer-term contracts for supply.
- Much of the Gas Supply Hub (GSH) growth has been in off-screen trade negotiated bilaterally and settled through the GSH, often using a broker as an intermediary. Lodgement of those prices via the GSH ultimately supports a level of price transparency, but the negotiation process remains opaque and requires participants to obtain information from other sources, including brokers. We note this point is raised in the consultation paper.
- Barriers to entry into the facilitated markets appear generally low. Where participants highlighted cost or complexity as potential barriers, they indicated that they were manageable and not material barriers at present. To the extent cost or complexity are barriers to smaller participants, the material growth of trader participation across the

facilitated markets has been a positive development to support access for users to the facilitated markets. Initial observations suggest traders manage complexity and risk on behalf of their customers and promote price efficiency through arbitraging between markets.

- Some participants told us that the inability to pool prudential requirements across markets has been an impediment to higher levels of trade.

Our detailed findings by facilitated market are included as an appendix to this submission.

Bilateral and market traded supply on the Gas Supply Hub

As noted in the consultation paper, trade on the GSH is a mix of on-screen (market traded) and off-screen (bilaterally traded) gas supply. Trade on the GSH has continued to be largely off-screen, with short-term spikes in on-screen trade typically occurring alongside unanticipated increases in available supply, such as LNG train outages. Trade on the GSH has also mostly been for products with shorter delivery timeframes of day ahead, daily or intra-day with the majority of trade occurring at the Wallumbilla hub. Additions of new trading locations, a location swap product and an ASX futures product for physical delivery has provided more trading options to participants but uptake of these new products has been slow.

We engaged with two thirds of active GSH market participants about this issue when developing our focus report. Participants identified a range of perceived advantages of bilateral trade:

- Bilaterally negotiated trade gives participants flexibility to meet preferences in price, volume and delivery arrangements that on-screen trade cannot provide. For instance, several participants noted that multi-leg, multi-participant trade, or conditional (swap) trades would only be possible to negotiate off-screen.
- Off-screen trade is the more direct alternative to short-term trading using master gas supply agreements (MGSAs). Many participants noted that off-screen trade on the GSH allowed participants to engage in trades with counterparties they did not have an established MGSA with because it reduced credit risks.
- Off-screen trade was also preferred in some instances where volumes traded bilaterally weren't significant enough to warrant the additional processes required to trade using an existing MGSA and transaction notice.
- Regular use of brokers to trade gas and off-screen trade provides an avenue for small-volume bilateral trade through the GSH, either registering trades that were pre-matched by a broker or having the broker facilitate and register the trades themselves.¹
- Participants may be using off-screen trade rather than on-screen due to concerns with anonymity. Trading positions can be revealed when delivery obligations are issued as part of the netting process for on-screen trades.

Improving transparency on broker participation in GSH trade

Participants suggested the popularity of broker-facilitated trading was a key reason for the growth of off-screen trade in recent years. In some respects, broker facilitated off-screen

¹ Brokers are third parties act as intermediaries facilitating gas trades between market participants, rather than trading themselves. In contrast, the AER classifies participants as 'traders' in our reporting where those participants themselves actively buy and sell gas in the wholesale markets with no upstream production or downstream retail or GPG demand.

trade acts as an alternative to on-screen trade. Participants highlighted several benefits broker trades provide for trading efficiency and price discovery and noted brokers:

- can save time and resources through direct bilateral negotiation with counterparties. The savings can be significant in comparison to constant, incremental price negotiation through bids and offers on-screen.
- help facilitate trades with bespoke structures or multiple parties involved. Some participants advised they often do not have the resources and/or are unwilling to take on the coordination risks of executing complex trades themselves.
- are trusted in managing commercially sensitive information, which can give participants greater confidence to reveal their full position and match more efficiently.
- can use their position to provide robust and trusted price signals. Participants reported using broker forward price curves to guide decision making and some suggested this is a more reliable price signal in comparison to prices reported through the GSH.

As a result of this central role in the facilitation of off-screen trade and wide view of the markets, brokers could mitigate against market power through reduced information asymmetries. However, if trade is concentrated through a small number of brokers, this itself may open opportunities for market power.

We are able to monitor the involvement of brokers in off-screen trade in circumstances where brokers lodge trades through the GSH on behalf of participants. Our analysis suggests that broker-lodged trades regularly account for 30-50% of GSH trade by volume. However, we understand there may be other trade where brokers facilitate the trade but a party to the trade lodges it on the GSH. With present reporting requirements, we are unable to identify those trades. One further option to improve the transparency of off-screen trade may be minor additions to trade reporting requirements to highlight whether a broker has participated in trade formation and the identity of that broker. This would simplify monitoring of market concentration.

Improving transparency in bilateral trading

Noting the perceived advantages of bilateral trade, we agree it is less transparent than market-based trade, and that lack of transparency can impact price formation and competition. However, well designed and enforced reporting can mitigate these impacts to some extent. A recent example of this is the implementation of short-term transaction reporting requirements in March 2023 as part of Gas Market Transparency reforms, requiring participants to report in near real time bilateral supply and swap transactions less than a year in length to AEMO's Gas Bulletin Board.

Since commencement of those reforms, we have observed substantial growth in reporting of these bilateral contracts. Relatedly, the ACCC has observed recently in its Gas Inquiry that average contract terms are shortening to roughly one year in duration. So, while bilateral contracting remains distinct in offering more tailored arrangements than market-traded products, the differences in available tenure between bilateral and market trade appear to be narrowing. To date, market participants have told us that shorter-term facilitated market trade is a complement and not a substitute for longer-term bilateral contracting. However, as available terms of contracting or levels of flexibility in that contracting reduce, it may be that more participants see facilitated market trade as a plausible substitute.

The AER has reported on these short-term contracts since Q2 2023 through our Wholesale market quarterly reports. Our reporting has provided quarterly insights on volumes and

prices traded and a forward price curve, where sufficient transactions occurred to meet aggregation requirements.

The AER undertook a review of this reporting in December 2023, engaging with market participants on their use of the information and publishing initial insights gained from the reporting. The AER raised in this report the value of extending transaction reporting to AEMO to include all contracts, regardless of length, to capture all transactions and to provide more high-quality, frequent information to industry. Subject to a cost-benefit analysis on how this impacts participant reporting burden, this could assist with more timely transparency than is achievable under a periodic collection and reporting framework, while maintaining participant anonymity. We recognise that greater transparency carries with it a risk of facilitating coordinated conduct between market participants. This will need to be taken into account in determining the parameters for greater transparency.

Rationalisation of data collection

We also reiterate the need for reforms to support data sharing between energy market bodies and agencies.

The [Energy Security Board's data strategy](#) identified energy access and data sharing as one of two critical workstreams to manage changing data needs in the energy transition and optimise the long-term interests of energy consumers in a digitalised economy. Updating the regulatory framework to charge agencies with the *obligation* to collect and share all necessary data (using the approach taken for *National Greenhouse and Energy Reporting Act 2007* reporting) would facilitate a 'collect once' approach to data gathering, generating efficiencies for both government and industry and enabling more informed policy and regulatory decision-making.

In our view this could be done through two distinct models, being either through requirements on individual agencies to share information that they collect, or through centralised collection and sharing of core information required across multiple agencies. We recognise that if information is collected under a centralised model, multiple agencies will still be collecting, or be able to collect, information from industry under their existing powers and functions. As such, we recommend it may be useful to determine some guiding principles for how a centralised repository would operate covering issues such as: which information would be included in the core set of centralised information, how this would change over time and which party is responsible for evaluation of burden.

Continued engagement

We appreciate the opportunity to provide feedback on the consultation paper and are available to discuss our comments further if needed.

Yours sincerely



Stephanie Jolly
Executive General Manager—Consumers, Policy and Markets

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Appendix- Focus report key findings by market

The following table sets out our key findings across the facilitated markets covered in focus reports over the last year, and which we will investigate further as part of our first gas monitoring report to be published in May 2026.

Market	Findings
Day Ahead Auction	<ul style="list-style-type: none">• Substantial capacity has been made available on key pipelines and compression facilities on which contracted capacity has previously been held by only a few shippers. This has likely delivered efficiency benefits to the market as previously underutilised capacity is now available. Most of this additional capacity has been available at costs markedly below long or short-term firm equivalents.• Access to additional capacity has resulted in shippers being better equipped to manage long-term commodity agreements by being able to sell or supplement firm commodity on a short-term basis.• A broader range of participants are winning capacity via the DAA across a more diverse set of pipelines. With this growth, the concentration of capacity winning among individual participants has decreased. In particular, we found:<ul style="list-style-type: none">– significant growth in use of the auction by traders, who support market efficiency by moving gas from where it is abundant (and cheap) to where it is scarce (and expensive)– evidence that gas-powered generators (GPG) are winning capacity on routes that support generation in the National Energy Market (NEM). This should place downward pressure on the marginal costs of supply for those generators.• On some key pipeline routes, surplus capacity on the DAA has declined markedly compared with demand. While this means less capacity is available to be won via the DAA, it may also indicate that participants are utilising long-term firm contracts more efficiently.
Gas Supply Hub	<ul style="list-style-type: none">• The GSH now represents a significant proportion of gas trading in the east coast gas market. Increased activity at Wallumbilla in particular, has provided several benefits to the broader east coast gas market, with participants having more options to balance contract positions and respond to changing market conditions. Trading has been limited in other locations, but may grow over time.• Participation on the GSH has increased and most participant groups are well represented. There are no significant barriers to participation.• The use of bilaterally negotiated trades settled 'off-screen' on the GSH have grown significantly in recent years and are now the primary form of trade. Off screen trading appears to have lowered barriers to trade for a range of participants, but high levels of bilaterally negotiated trade limits price transparency.• The GSH is supporting efficient trading of gas between buyers and sellers. Most participants use short term trading on the GSH to complement long-term gas contracts or provide a more flexible alternative to downstream spot markets. The GSH also provides several mechanisms to deliver gas more efficiently, such as AEMO's

Downstream spot markets (Victorian Declared Wholesale Gas Market and Short-term Trading Markets)

netting process.

- There has been substantial growth occurring in liquidity of net trading with volumes doubling since 2018, and spot prices appear aligned between hubs suggesting a liquid market between hubs.
 - Financial products are being used, which can help participants manage spot market price volatility but liquidity and trade of DWGM futures has reduced considerably across the past 2 years. The AER intends to investigate financial products more broadly as part of its new wholesale gas market monitoring powers, particularly the use of over-the-counter (OTC) products
 - Participation has grown significantly in each market, particularly from exporters, producers and traders, which has reduced concentration. This means that volumes traded are dispersed between more active participants.
 - There are no significant barriers in the spot markets, but administrative complexity and prudential requirements may be barriers to further growth in participation, particularly for smaller participants.
 - Growth in participation on the STTMs appears to have led to increasing participation in offering market operator services (MOS). On some pipelines this appears to have put downward pressure on costs, despite rising usage of MOS.
 - Changes to ancillary payments and capacity certificates in the DWGM appear to have improved the system, but capacity certificates remain largely untested.
 - Growing participation in the spot markets is putting competitive pressure on prices as more varied participant groups are offering gas.
 - Participants appear to have varied levels of reliance on net buying in spot markets to meet their demand. Participants with higher net buying can be more exposed to downstream spot market prices, although they can also be hedging price risks.
 - The downstream spot markets are supporting arbitrage opportunities, and a variety of participants are using them to move gas to where it is most valued.
 - Participants may use spot markets and storage facilities to manage short-term variations in demand for gas-powered generation (GPG) or high electricity prices. The AER intends to investigate the connections between gas and electricity further as part of its Wholesale gas competition report in 2026.
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