



**Australian Government**  
**Department of Industry,  
Innovation and Science**

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The Department of Industry, Innovation and Science ('the Department') welcomes the opportunity to provide comment to the Australian Bureau of Statistics (ABS) in response to the Information Paper: *Developments in Producer Price Indexes for Natural Gas, Dec 2015* (Reference Number 6427.0.55.008).

Consistent with the agreement of the Council of Australian Governments (COAG) Energy Council on 23 July 2015, the Department supports the continued work of the ABS, in conjunction with the Australian Energy Market Commission (AEMC), to develop a price index for wholesale natural gas. A key component of the COAG Energy Council's *Australian Gas Market Vision* is improving price discovery. The COAG Energy Council has recognised the need to improve gas price transparency and considers the establishment of an ABS published price index to be a useful initiative while an efficient market reference price develops.

Following the stakeholder workshop held on 17 February 2016, the Department is concerned that the price index development process is being unnecessarily delayed. The ABS price index project was initiated by the COAG Energy Council on the basis that it was an achievable short term measure that could deliver immediate benefit to gas consumers and improve the broader understanding of the trends and the magnitude of changes in wholesale gas prices. The Department considers that work should be accelerated to ensure the commencement of the price index as soon as possible.

The Department supports the commitment to a national index and, as much as is possible within ABS disclosure control guidelines, we further support development of separate price indexes for the Eastern Australian and Western Australian gas markets. Eastern and Western gas market indexes are likely to be more useful to market participants in forming price expectations, recognising that each market is subject to differing supply, demand and cost drivers which influence price outcomes.

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The Department would support the collection of additional information if this would enable the publication of separate market indexes. Separate market indexes, as compared to a national index only, would further the Council's objective to improve price discovery and the transparency of wholesale prices.

The Department will continue to support the development of a methodology; data collection process and confidentiality arrangements that best support the establishment of a robust price index. We encourage the ABS to continue working closely with the AEMC, particularly as the AEMC considers making recommendations to the COAG Energy Council to improve the availability of market information in its *East Coast Wholesale Gas Market and Pipeline Frameworks Review*.