

25 May 2015

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Dear Ms Denton

**RE: AEMO IMPACT AND IMPLEMENTATION REPORT – CURTIS ISLAND LNG DEMAND ZONE:  
COMMENTS FROM THE AUSTRALIAN PETROLEUM PRODUCTION & EXPLORATION  
ASSOCIATION**

The Australian Petroleum Production & Exploration Association (APPEA) welcomes the opportunity to provide comments on the *AEMO Impact and Implementation Report – Curtis Island LNG Demand Zone* (the IIR).

Since 1959, APPEA has been the peak national body representing the upstream oil and gas exploration and production industry. APPEA has more than 85 member companies that explore for and produce Australia's oil and gas. In addition, APPEA's more than 270 associate member companies provide a wide range of goods and services to the industry. Further information about APPEA can be found on our website, at [www.appea.com.au](http://www.appea.com.au). In Queensland, APPEA represents all of the producers that may be affected by the proposed Curtis Island LNG demand zone.

APPEA supports the publication of relevant information to underpin gas trading and improved decision making by stakeholders, however the information published needs to create a level playing field and not disadvantage some stakeholders over others.

With this in mind, APPEA notes AEMO's Option A would require the independent provision and publication of actual flows (previous day), a short-term forecast and capacity outlooks on the Gas Bulletin Board (GBB). Release of this "disaggregated" data would provide the market with detailed information about individual LNG export proponents' supply-demand balance, which discloses commercial information regarding market position (that is, are they "long" or "short" of gas).

For this reason, APPEA believes that Option A is not a viable solution. Specifically our concerns relate to the following key principles:

- LNG proponents are single shippers of gas on the various export pipelines.

- Commercial positions (“long” or “short”) could be readily determined based on pipeline flow information.
- This level of disclosure is not required by other parties trading in the eastern Australian gas market.

A number of APPEA member companies, in their submissions to you on the IIR, have provided an explanation of why individual LNG pipeline flows are commercially sensitive and examples of situations where commercially sensitive information could become available through the GBB, and the detrimental impact this would have on their operations.

Although actual flows are published after the fact, there may still be ongoing supply-demand issues from previous days impacting real time decision making which stakeholders could use to their advantage.

AEMO’s Option B would result in the publication of aggregate LNG export pipeline flow information. This is a more preferable solution as it strikes an appropriate balance in terms of informing the market of relevant changes and reasonable information disclosure, without compromising the individual commercial positions of the LNG proponents. It would inform the market of any overall change in LNG supply/demand (addressing any perceived information asymmetries) without compromising individual commercial positions.

For these reasons, APPEA supports AEMO’s Option B as the preferred option.

The importance of protecting commercially sensitive information on the GBB is already recognised in other GBB development processes. For example, as part of the COAG Energy Council’s proposed *National Gas Rule Change Request and Proposal, Gas Transmission Pipeline Capacity Trading: Enhanced Information*<sup>1</sup>, the request at page 8 and also at pages 9-10, in considering detailed facility data and detailed flow data by receipt and delivery points, proposes:

*On a monthly basis, pipeline operators to provide AEMO with disaggregated receipt and delivery point daily flow data for each zone, on a confidential basis. Publishing disaggregated data would likely reveal confidential commercially sensitive information (e.g. in cases where a single user was connected to a particular delivery point flow data would show the daily gas consumption of that user).*

The arguments that apply to this proposal are also relevant here.

In a similar way, the rules<sup>2</sup> underpinning the Western Australian Gas Bulletin Board (WA GBB), operated by the Independent Market Operator (IMO), allow the IMO to grant an exemption to WA GBB Pipeline operators for WA GBB reporting where there is a single shipper on the WA GBB pipeline. In particular:

- Sub-rule 78 (2) allows the IMO to grant an exemption to a Registered Large User from the requirement to provide the IMO with Daily Actual Consumption Data for its WA GBB Large User

<sup>1</sup> Available at [www.aemc.gov.au/getattachment/c0de48f7-c080-4fb0-8140-0ab0201629d5/Rule-change-request-and-signed-letter.aspx](http://www.aemc.gov.au/getattachment/c0de48f7-c080-4fb0-8140-0ab0201629d5/Rule-change-request-and-signed-letter.aspx).

<sup>2</sup> Gas Services Information Act 2012, Gas Services Information Regulations 2012, Gas Services Information Rules (20 March 2015) (available at [www.imowa.com.au/docs/default-source/rules/electronic-gsi-rules-20150320-for-web.pdf?sfvrsn=0](http://www.imowa.com.au/docs/default-source/rules/electronic-gsi-rules-20150320-for-web.pdf?sfvrsn=0)).

Facility where the IMO is satisfied, based on evidence provided by the relevant operator, that for each Delivery Point at which the facility is connected to a WA GBB Pipeline, the facility is the only recipient of gas withdrawn at that Delivery Point.

- Sub-rule 86 (1) requires the IMO to publish on the WA GBB pipeline Nominated and Forecast Flow Data for Receipt and Delivery Points aggregated by Zone and Gas Day.
- Sub-rule 87 (1) requires the IMO to publish on pipeline Daily Actual Flow Data for Receipt and Delivery Points aggregated by Zone and Gas Day.
- Sub-rule 89 (1) requires the IMO to publish on the WA GBB aggregate Daily Actual Consumption Data by WAGBB Large User Facilities.

This means the legislative and regulatory framework for the WA GBB (which has many of the same participants as the GBB and in particular, those with interests in the Curtis Island LNG demand zone) has already considered and incorporated rules to deal with similar situations to those considered in the IIR. APPEA notes AEMO could a similar approach in the development of its Curtis Island LNG demand zone proposal.

Other industry participants have expressed a similar view that the three LNG pipelines could be published on an aggregate basis to protect the commercial interests of the LNG players while still providing an appropriate level of information to the market. This is because there is only one shipper on each of the three pipelines.

The Australian Energy Market Commission (AEMC), in its consideration of the GBB capacity outlook period also recognised the importance of mitigating the risk that confidential or commercially-sensitive information may be exposed to third parties.

LNG proponents support improving liquidity within the eastern Australian gas market and consider more substantive changes to the way gas market information is reported are necessary to support better trading and risk management decisions. This could form the third phase in the development of GBB.

If you or your project team require additional information about our submission, please do not hesitate to contact me on (02) 6267 0902 / [ddwyer@appea.com.au](mailto:ddwyer@appea.com.au). APPEA and its members would welcome the opportunity to meet with you to further discuss our views.

Yours sincerely



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