



28 August 2020

Our Ref: APLNG - COR - 0014474

Australian Energy Market Operator
Via email: stakeholderrelations@aemo.com.au

Dear Ms Zibelman

Submission on Renewing AEMO's engagement model

Australia Pacific LNG (APLNG) welcomes the opportunity to make a submission to the Australian Energy Market Operator (AEMO) in relation to AEMO's discussion paper on Renewing AEMO's engagement model (Discussion Paper).

APLNG, based in Queensland, is one of Australia's leading natural gas production companies, supplying a significant percentage of east coast Australia's domestic gas needs. In FY19, APLNG provided approximately 30 per cent of gas supply (195 petajoules) to the east coast market and has gas supply contracts with local industries and businesses out to 2030 and beyond.

APLNG supports a streamlined regulatory framework that provides an efficient and liquid gas market with a policy framework that encourages investment and market-led solutions. To achieve this, APLNG believes that an effective and efficient consultation and engagement model is critical.

By way of summary, APLNG supports:

- An engagement model that incorporates elements of Options 1 and 3.
- A model designed to support the achievement of the National Gas Objective and Vision and to focus on improved efficiency, regulatory streamlining and increased market liquidity.
- One layer of strategic level oversight with a committee comprised of senior leaders (rather than CEOs) from industry to bring together a 'whole of energy industry' viewpoint with respect to markets (within a clearly defined terms of reference).
- Membership of strategic level oversight committees should be based on Selection Option 2 with seats allocated per industry and filled by market participants.
- The retention of the existing division of forums (i.e. current working group approach described in Figure 1 of the Discussion Paper) based on technology and market (rather than the proposed four-stream, three-tiered model).
- Refreshing the existing forums (to support a new strategic level committee), and with the addition of quarterly updates.
- A model that does not result in additional participant fees.

More commentary and feedback are provided in Annexure 1.

Thank you for this opportunity to make a submission. If you have any questions, or would like to discuss this submission further, please contact Susan Moore on (07) 3028 5111.

Yours sincerely

A handwritten signature in black ink, appearing to read "Warwick King".

Warwick King
Chief Executive Officer
Australia Pacific LNG Pty Limited

Annexure 1

Overarching view

APLNG supports an engagement model with some level of increased strategic policy oversight but with the retention of sufficient granularity in each specific market sector.

In terms of objectives, APLNG endorses AEMO's objectives to uplift consistency, transparency and value, and place a greater spotlight on valuable collaboration (with more efficient use of stakeholder time and resources).

From the gas industry's perspective, APLNG believes any engagement model should be designed with the overall objective of achieving the National Gas Objective and Vision. Further, APLNG supports an approach focussing on improved efficiency and the streamlining of regulation, which will lead to increased market liquidity.

To achieve this, APLNG suggests the structure should ensure the right groups collaborate on the highest priority policy issues for each sector at the appropriate time.

Preferred approach

APLNG supports an engagement model that incorporates elements of Options 1 and 3. This would enable longer-term, deeper strategic issues to be considered at the executive level and then input sought from relevant working groups at the 'detailed level'.

APLNG prefers the existing structure and alignment of forums (by technology and market) as described in Figure 1 (current working group approach) of the Discussion Paper. To merge gas and electricity and wholesale and retail, would create inefficiency and dilute the unique issues faced by each sector.

Additionally, APLNG supports the retention of the existing Gas Wholesale Consultative Forum (GWCF) and Gas Supply Hub Reference group (GSH). APLNG commends the approach in the GWCF, which includes updates from Australian Energy Market Commission (AEMC) and Australian Energy Regulator (AER). Further, both forums are used for two-way communication with requests for feedback from AEMO. In terms of frequency, APLNG supports the current quarterly schedule for the GWCF and the ad hoc nature of the GSH (as needed).

While APLNG supports the introduction of greater strategic oversight for whole of energy industry issues, we consider two levels of such oversight (CEO Roundtable and Executive Panels) excessive. Further, with additional strategic oversight, it will become increasingly important to ensure there are robust linkages and information cascading throughout the hierarchy of groups to enable effective participation at all levels.

APLNG supports the introduction of quarterly updates to supplement existing forums and suggests these are divided by technology and market (eg. gas/electricity and wholesale/retail). A model based on input forums and quarterly updates to update progress in applying that input would create a valuable 'feedback loop'.

Concerns with current approach

Currently, there appears to be limited visibility about the current structure and function of different groups. At times, this contributes to difficulty in engaging with AEMO as there is a lack of clarity about how and where to engage. It would be helpful to have greater detail about points where industry can connect with AEMO in formal and informal engagement. Further, it would be useful to have a central information point with a register for each company detailing all memberships and contact points with AEMO.

Additionally, a lack of transparency and flexibility on access to data and calculations is contributing to difficulty in engaging with AEMO. It would be beneficial if AEMO provided greater transparency about calculations and their basis to enable more collaborative engagement processes.

Alignment of forums to streams and tiers

APLNG questions the appropriateness and benefits of restructuring the existing forums to the proposed subject matter streams and working group tiers.

APLNG does not support the division of work into the four proposed subject-matter streams of operations, markets, planning and WA. In APLNG's view, such a model creates an artificial division that does not respond to the unique characteristics of each sector. Whilst some overlap exists between different elements of the energy industry, the East Coast gas and electricity markets remain structurally distinct with unique issues and participants. Even where some participants operate as integrated energy businesses, the functions and individuals within those companies responsible for different markets and technologies are likely to be different.

In relation to gas, issues rarely stop at the delivery point from production into the network and then from the hub to the customer – it is an interconnected and integrated system. To divide operations up from markets and planning appears to be an unrealistic and artificial division. To merge electricity and gas markets and wholesale and retail into these work streams may skew the objectives of the working groups and dilute wholesale gas issues and APLNG does not support this approach.

To ensure efficient use of stakeholder time and resources, each forum should provide maximum relevance to participants. Where forums have mixed technology or markets, only a percentage of each forum will be relevant to certain stakeholders. Cross-technology and cross-market groups risk not prioritising the correct range of issues for each specific sector.

In relation to the three proposed tiers - "strategic, transient, and functional" – APLNG does not understand the reason for specifically devising these categories of work. Currently, the working groups organically deal with these types of issues on an 'as needed' basis. APLNG does not believe that a formal alignment along these lines is required.

Comments on strategic level oversight

APLNG is supportive of increased strategic level oversight but believes a single layer of such oversight would be appropriate, rather than the two-layer approach proposed by AEMO (which has potential overlap and duplication).

As currently proposed, the objective of the CEO Roundtable is not particularly clear and APLNG is concerned about whether this type of forum would provide the most value and effective outcomes. APLNG considers it more appropriate to have senior leaders (rather than CEOs) from organisations participate in these forums, especially where those senior leaders are more closely connected to the company's participation in the markets.

In relation to the Executive Panels, APLNG is unsure whether the four streams are appropriate and whether these panels would provide valuable insight across gas and electricity on each work stream. APLNG suggests that a hybrid of the CEO Roundtable and the Executive Panels would be more appropriate, with such a forum to be comprised of senior leaders within industry (but not necessarily CEOs) to bring together 'whole of energy industry' viewpoint with respect to markets. The forum would need to have a clear scope linked to AEMO's activities as market operator (to avoid duplication with the work of the AEMC). Alternatively, if the desired outcome is to have multiple strategic committees, then APLNG believes it would be appropriate to have three – gas, electricity and WA.

APLNG is generally supportive of consumer involvement in these strategic level committees. However, there must be a balance created to ensure operational constraints are properly weighted against consumer needs.

Membership of strategic level committee

In terms of membership for strategic level committees, APLNG prefers Selection Option 2 with seats allocated per industry and filled by market participants. The number of seats must create a balance to ensure no one sector can dominate the policy discussion.

In terms of the Selection Option 1 process, APLNG is concerned this will not achieve the desired two-way dialogue between industry and AEMO. Given the depth of experience and knowledge at leadership levels in companies across the industry, APLNG believes there would be sufficient knowledge present on the committee (without needing AEMO selected experts) to ensure thought diversity and broader industry debate.

APLNG does not support the Selection Option 3 process, as such an approach may skew the membership and the committees' objectives, especially where:

- individual companies who are not members of industry groups can nominate directly; and
- in circumstances where the right balance of industry groups is not selected.

Working groups

In APLNG's experience, the working groups are valuable and should be retained. APLNG would suggest that AEMO refreshes these groups to ensure the right representatives attend to ensure input allows for effective collaboration.

Additionally, APLNG would recommend that papers for these working groups are provided with adequate time to consult internally with stakeholders so broad input can be generated and shared at the forum. Further, APLNG supports AEMO requiring attendees to renew their commitment to share information within their organisations following meetings of the working groups.

Budgetary concerns

APLNG supports the renewal of AEMO's engagement model. However, APLNG suggests AEMO undertake a Cost-Benefit Analysis as part of the decision-making process to ensure any changes create value for the energy industry and its consumers.

APLNG would not support adopting changes that result in significantly increased fees for market participation. Whilst fee increases may only be incremental, each additional cost contributes to the overall price of energy.