



19 October 2020

Our Reference: APLNG - COR - 0014544

Andrea Marinelli
Australian Energy Market Operator Limited
By email: andrea.marinelli@aemo.com.au

Dear Ms Marinelli

Submission on Gas Fee Structures to apply to Participant, Auction and Exchange fees from 1 July 2021

Australia Pacific LNG (**APLNG**) welcomes the opportunity to make a submission to the Australian Energy Market Operator (**AEMO**) in relation to the discussion paper relating to Gas Fee Structures (**Consultation 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 FY20, APLNG provided over 30 per cent of the gas supply (~186 petajoules) to the east coast market and has gas supply contracts with local industries and businesses out to 2030 and beyond.

The comments provided by APLNG are limited to the markets in which it currently or will participate in and fees which APLNG is directly liable for.

Summary

Overall, APLNG is supportive of an approach to fees which:

1. incentivises participation and competition in gas markets, which will lead to increased market liquidity;
2. supports the principles included in the National Gas Objective (**NGO**) so that changes to the fee structure be:
 - a. simple;
 - b. reflective of how much AEMO's budgeted revenue requirements involve that registered participant;
 - c. not unreasonably discriminate, and
3. ensures fair and appropriate sharing of fees across market participants that demonstrates "user pays" and "reflective of involvement" principles that does not ignore other industry participants also deriving benefit from services provided by AEMO.

Gas Fee Structure Term

APLNG is supportive of maintaining a three-year term and three-year rolling period used to recover costs. A longer period is not appropriate in the current dynamic environment, especially given the impending regulatory reforms to be implemented in the near term, such as transparency measures and pipeline regulatory reforms. In balancing the current market dynamism with the need for certainty of costs, three years seems to strike an appropriate balance.

Registration Fees

APLNG is supportive of a transparent approach to registration fees which incentivises participation and competition in gas markets. However, this must also be balanced against achieving equitable

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and appropriate cost reflectivity by ensuring user pays and reflective of involvement concepts are suitably weighted.

APLNG considers that while disaggregation of fees may reduce simplicity, it may better achieve cost reflectivity and has the potential to encourage more participants in the market.

Gas Bulletin Board (GBB) Fees

In relation specifically to GBB fees, APLNG believes that the entire gas market benefits from the information and transparency provided by the GBB. APLNG encourages alternative approaches to GBB fees which better achieve the cost reflectivity and non-discriminatory NGO principles. In that regard, APLNG supports a flat rate fee structure for the GBB, compared to a volume-based fee (eg. \$/GJ), as AEMO's administrative burden related to each participant is similar regardless of volume. As such, we refer to our previous submission from [March 2018](#) in which APLNG suggested that a flat fee be levied per participant.

Gas Statement of Opportunity (GSOO) Fees

APLNG recognises that the role of the GSOO has changed since its inception and will change further as the Transparency Measures reforms are implemented.

As such, APLNG supports a cost recovery for the GSOO from those market participants deriving value and benefit from the GSOO. In APLNG's view, an appropriate model would be to broaden the scope of fee-paying participants to include participants in the wholesale markets (being the Short-Term Trading Markets and the Declared Wholesale Gas Market).

APLNG does not support a GSOO fee structure that would apply fees to producers as producers receive limited benefit from the GSOO, particularly when reporting and compliance costs for producers are set to increase upon the implementation of the Transparency Measures recommendations and this may result in a duplication of GBB fees with GSOO fees.

Pipeline Capacity Trading (PCT) Fees

In respect of PCT fees, APLNG considers it important to address the key reasons why the Capacity Trading Platform (CTP) is not being utilised more broadly in accessing under-utilised transportation capacity as identified by the Australian Energy Market Commission in its Biennial Review of Gas Markets Liquidity. APLNG understands that the current fee deficit needs to be addressed and supports an approach which does not delay addressing the deficit to minimise its growth. However, greater uptake of the CTP is needed and therefore funding the deficit should be achieved in a way that does not disincentivise this uptake. APLNG supports the proposed approach of reducing PCT fees to incentivise greater participation in the PCT. Currently, the cost of using the PCT must be compared against other mechanisms to trade capacity or against swaps. A lower fee will make the PCT more competitive against these options and may increase activity and uptake, which despite lower individual fees, may increase overall revenues.

APLNG is supportive of the deficit being recovered from other markets on the basis that this can be justified according to the benefit participants in those markets may obtain as a result of there being greater uptake in the PCT. For example, it may be the case that participants in STTMs achieve an indirect benefit from PCT through a more liquid transportation market, such to justify a smoothing of the costs across these market participants.

Operational Transportation Service (OTS) Code Panel Fees

Given the limited utilisation of the Standard OTS Agreement (OTSA), APLNG believes AEMO should consider an appropriate future plan for the OTSA and Panel and where resources could be reallocated associated with these services to reduce fees and further encourage participation in the PCT.

Thank you for this opportunity to make a submission. If you have any questions, or would like to discuss this submission further, please contact Alexandra Wythes on (07) 3858 0240.

Yours sincerely



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Australia Pacific LNG Pty Limited