



25 August 2023

Our Reference: APLNG - COR - 1041824

Daniel Westerman
Chief Executive Officer & Managing Director
Australian Energy Market Operator
Level 22, 530 Collins St
Melbourne VIC 3000

Via email to: reformdevelopmentandinsights@aemo.com.au

Dear Mr Westerman

Australia Pacific LNG Pty Ltd (APLNG) welcomes the opportunity to contribute to the Australian Energy Market Operator's (AEMO) consultation paper on the structure of gas participant fees to apply from 1 July 2024.

APLNG is an incorporated company and one of the largest producers of natural gas in eastern Australia, delivering a reliable energy source to customers in Australia and Asia. We are the largest net contributor of gas supply to Australia's domestic east coast gas market, providing over 1,400 PJ of gas into the domestic market since the project was sanctioned.

APLNG supports an approach to fees which:

- incentivises participation and competition in gas markets, which will lead to increased market liquidity
- ensures fair and appropriate sharing of fees across market participants that demonstrates 'user pays' and 'reflective of involvement' principles, such that all industry participants that derive benefit from the services provided by AEMO contribute to the costs of these services
- recognises that gas producers, like APLNG, are subject to reasonable pricing provisions under the *Competition and Consumer (Gas Market Code) Regulations 2023* that do not apply to other market participants.

Gas fee structure term

APLNG supports maintaining a three-year term for this determination and a three-year rolling period to recover costs. We do not believe a longer period is appropriate given the current dynamic nature of the regulatory environment, including the potential for new reforms to arise from the Australian Government's Stage 2 development of the reliability and supply adequacy framework and its Future Gas Strategy.

Gas Bulletin Board (GBB) fees

We do not agree with retaining the current structure for the GBB fees, whereby producers are allocated 50 per cent of the costs. The GBB is designed to facilitate trade and provide market participants with access to information to make informed and efficient decisions about the provision and use of gas and natural gas services. The information published on the GBB therefore benefits a broad range of participants across the east coast gas market, including retailers, large users, and government bodies.

The GBB benefits these participants by:

- providing information about the supply-demand balance. This, in turn, helps participants to make more informed decisions about:
 - their consumption, in the case of users
 - investment decisions, in the case of infrastructure providers such as pipeline, storage and compression facility operators
- facilitating informed decision-making around consumption, production, and infrastructure services. For example, information about facility development projects can enable users, producers, and infrastructure providers to make better decisions around their likely use of these facilities
- promoting the trading of gas and infrastructure services through price information transparency. This can also help government frame policies around the liquidity of gas markets.

To better reflect the benefits accrued across the entire east coast gas market, APLNG believes that the GBB fees should be allocated to a broader range of participants and producers should be allocated no more than 30 per cent of the GBB costs. Further, the volume produced to meet LNG export demand should be excluded from the calculation used to allocate GBB fees as LNG export customers do not benefit from the GBB information.

Gas Statement of Opportunity (GSOO) fees

While APLNG appreciates AEMO's decision under the current structure to reduce the share of GSOO costs being allocated to producers to 30 per cent (compared to the draft proposal, at that time, of 50 per cent), we consider that more can be done to achieve a fairer and more appropriate sharing of fees across market participants.

According to section 91D(1) of the National Gas Law, the objective of the GSOO "is to provide information to assist Registered participants and other persons in making informed decisions about investment in the natural gas industry." Therefore, like the GBB, the GSOO benefits participants across the entire east coast gas market.

It is APLNG's view that the GSOO fees should be allocated to a broader range of participants, including wholesale market participants, and the share of costs allocated to producers should be reduced further.

East Coast Gas System (ECGS) Reform Program fees

APLNG supports AEMO's proposal to recover ECGS Reform Program costs as a separate fee. Of the two options canvassed in the consultation paper, APLNG prefers Option 2 (a separate fee that levies costs on a withdrawal or consumption basis) as consumers are the ultimate beneficiaries of maintaining or improving reliability or supply adequacy in the ECGS.

We do not believe it is appropriate to allocate the ECGS Reform Program costs to producers, particularly as they are more likely to be called upon to act if a potential or actual threat to reliability or supply adequacy is identified. Producers also derive limited (if any) benefit from the reforms.

Finally, if Option 2 is adopted, gas consumption related to LNG exports should be excluded from the calculation base as LNG export customers do not benefit from the ECGS reforms.


Costs of bodies overseeing or determining compensation claims

Under rule 706(5) of the National Gas Rules, the costs incurred by the wholesale energy market dispute resolution adviser and the dispute resolution panel are borne by AEMO unless the dispute resolution panel decides to re-allocate the costs because a party has unreasonably prolonged the proceedings or there is another good reason.

In our submission to the Australian Energy Market Commission on the gas compensation and dispute resolution frameworks rule change request, we argued that these costs should be recovered as part of the compensation amount. In the absence of a final rule, we seek clarity from AEMO on whether costs of this nature will be recovered as part of the ECGS Reform Program fees or an alternative mechanism.

Thank you for the opportunity to provide feedback on the consultation paper. Should you have any queries relating to this submission, please contact Courtney Czechowski, Regulatory & Assurance Lead, at courtney.czechowski@originenergy.com.au or via phone on (07) 3867 0461.

Yours sincerely

A handwritten signature in black ink that reads "Natalie Wallace". The signature is written in a cursive style with a large, stylized initial 'N'.

Natalie Wallace
CSG Marketing Manager
Origin Energy on behalf of Australia Pacific LNG Pty Ltd