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CONSULTATION PAPER – DWGM INTERIM LNG STORAGE MEASURES

Alinta Energy welcomes the opportunity to comment on the AEMC's consultation paper to the DWGM Interim LNG Storage Measures rule change. Alinta Energy notes that this rule change has been proposed by the Victorian Minister for Energy, Environment and Climate Action as an urgent rule change.

Alinta Energy acknowledges that the Dandenong LNG Facility (DLNG), due to its location and proximity to the Melbourne demand centre, is the only facility in the DWGM that can quickly address a gas security of supply incident in Victoria. On this basis, and noting the technical attributes associated with vaporization and refilling DLNG, we understand the desire to implement the scope and this rule change quickly.

However, we are concerned that implementing this rule change for the period 2023 to 2025, will not address the underlying issues that have created the initial problem (identified by the ACCC) which also required AEMO to issue two threat to security notices in March 2021 and March 2022 in an attempt to increase LNG stock held at DLNG by market participants.

Specifically, Alinta Energy believes that the AEMC should give strong consideration to the reasons why market participants reduced contracting levels at the facility in the first place, namely changes made to the DLNG product by APA (the DLNG operator), and to a lesser extent, market outcomes and design changes. Unless these issues are addressed through this rule change, the outcome is likely to result in lower future recontracting once current contracts roll off, therefore potentially resulting in the need for further market intervention via rule change proposals to again install (or possibly extend) AEMO's role as the buyer and supplier of last resort at DLNG.

In addition, in relation to the rule change proposal, Alinta Energy queries a few design aspects of the proposal, including the following:

- We are unclear why AEMO is required to purchase all remaining storage capacity at DLNG which has not been contracted by market participants.

This requirement appears to go beyond AEMO's own gas shortfall forecast

without justification on why the additional storage capacity is necessary to be held in reserve, and why consumers should pay (potentially at a higher price) for gas reserves that may never be needed. In addition, the proposed interim arrangement appears to penalise existing market participants (further reducing future contracting demand levels) who have contracted at DLNG and must now compete against AEMO. We therefore encourage the AEMC to review the proposed arrangements and unintended consequences to ensure the rule change delivers fair process and transparency, as well as determining how the rule change will deliver net benefits to consumers in line with the National Gas Objective.

- Further clarity is necessary to also explain how AEMO would undertake market operations and cost recovery processes. Specifically, in its role as buyer and supplier of last resort, AEMO would essentially be competing with market participants at DLNG.

With regard to market operations, key questions include:

- What price does AEMO bid its reserve gas holdings into market?
- How does AEMO communicate a need to trigger its reserve to market and how much notice is provided to enable market participants to respond prior to using the reserve supply?

On cost recovery:

- Is the price charged by the DLNG operator to AEMO being made public as part of improved transparency measures?
 - How are these fees being calculated? Alinta proposes that for transparency these should be an additional line item on settlement statements.
 - Depending on the outcome of the rule change process, and associated impacts on contracting, is consideration being given to include the DLNG facility and associated costs into the VTS regulated asset base?
- Broader consideration on the interactions between DWGM storage facilities, including Longford should be investigated to ensure that the strategic approach to managing ongoing security supplies issues is warranted over the longer term.

If you have any questions in relation to our submission, please do not hesitate to contact Andrew Godfrey at Andrew.Godfrey@alintaenergy.com.au in the first instance.

Yours sincerely,

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